A History of
SAVINGS BANKS

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By

H. OLIVER HORNE

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FOREWORD

BY

SIR SPENCER PORTAL

President of the Trustee Savings Banks Association

AND

MR. W. LOUIS LAWTON, C.B.E.

Chief Actuary of the York County Savings Bank

IT is an especial pleasure to us to contribute a Foreword to Mr. Horne's book, partly for what will be found within it and partly because of the way in which the work has been done. It was indeed to be expected that Mr. Horne would here display something of the social sympathy and bring to bear something of the eloquence which made his father, the Rev. C. Silvester Horne, a national and loved figure thirty years ago. This he has done and thereby given to his book a special appeal which is not likely to be lost upon his readers.

In 1930 Mr. Horne was appointed the first full-time Secretary to the Trustee Savings Banks Association. He was well qualified for that post, and lost no time in producing the *Trustee Savings Banks Gazette* and later the *Year Book*, which supplied an admirable and much wanted link between all the banks both in towns and country districts.

One of the most interesting allusions to thrift, or small savings, was made by the late Mr. Neville Chamberlain, then Chancellor of the Exchequer, when he said he looked with interest and satisfaction upon the three great Thrift Institutions, namely the National Savings Committee, the Post Office Savings Bank, and the Trustee Savings Banks, all working together as the great 'Trinity of Thrift'. No one has been a more loyal supporter of this great 'Trinity' than Mr. Horne.

During the war when the question 'What is a Trustee Savings Bank?' was so often asked, it seemed to us strange that institutions for the encouragement of thrift, or as we should now prefer to say for the encouragement of small savings, should have succeeded in living so long and attracting so little attention to themselves and their activities.

There has been little authentic record of the origin and growth of Trustee Savings Banks generally, apart from a few general histories written during the last century and long since out of print, though there have been accounts of particular banks many of which have marked their centenaries by making available the stories of their development. These accounts, contemporary records, and especially Parliamentary Reports, have been the raw material from which the present History has been fashioned. Mr. Horne has had to collect, select and arrange and has performed these several tasks not only with skill but with the insight of a Savings Bank Actuary watching a model of the institutions he is describing at work.

Trustee Savings Banks cannot get away from their history so long as it is preserved in unrepealed Acts of Parliament and while, almost until the present time, long experience has gone back to days when the memory of the Act of 1863 was still green, the knowledge of recorded experience will become increasingly important as time goes on. Mr. Horne's researches and vivid recordings will thus place the present and future generations of savings bank officials heavily in his debt.

Moreover the present History, which, apart from a closing chapter, carries us to 1939, has a natural termination. It is the history of Trustee Savings Banks up to the end of the long struggle for recognition, as the distinctively local elements in a national movement for the encouragement of small savings.

The full implications of that recognition, as one of the distinctions between small and large savings, have yet to be realized. In the last six years the funds of Trustee Savings Banks have nearly trebled, and now exceed £700,000,000. Has this been a purely war-time phenomenon or are the banks on the threshold of serving a much wider section of the community, a section which may indeed continuously enlarge if tendencies towards a greater equality of incomes persist? Will the ancient constitution, which has proved adequate for a century and a quarter of slow growth, survive the stress and strain of a greatly accelerated development or the intervention of a reforming legislature?

The answers to these and other questions lie in the future. Let it suffice that Trustee Savings Banks are institutions characteristic of the humanitarian movement of the nineteenth

century; that they have come through many vicissitudes and that, though their fortunes have varied, they have ever been animated with a disinterested desire to serve the people, all working together with the spirit of brotherhood to further the personal touch between the banks and their depositors.

This is the story unfolded here. It has been well told and well worth the telling; and from it those who will carry on the work of Trustee Savings Banks in the future will draw both inspiration and courage.

July 1946

WHEN we were asked to write a Foreword to this book the author, Mr. H. Oliver Horne, was actively engaged in putting the finishing touches to his work. He was apparently in full health and vigour, and his sudden and premature death has come as a deep personal loss to those who had the privilege of knowing him well. But his work remains. What would in happier circumstances have been a noteworthy event—for in his book he had captured the spirit of tradition which enriches the story of Trustee Savings Banks—now becomes his crowning achievement. We mourn his loss.

S. J. P.
W. L. L.

January 1947

PREFACE

THE whole of this History was written during the war years 1939 to 1945 and this fact may perhaps be accepted as an excuse for some of its defects. When the Trustee Savings Banks Association asked me to write the history of the old savings banks in the summer of 1939, the task seemed formidable enough. No adequate history of these banks had been written for over seventy years and some of the most important records from which it could be compiled were scattered over the country in local minute books and reports. The difficulties were increased by the outbreak of war, which severely curtailed the opportunities and facilities for travel and research and drastically reduced the time which the actuary of a busy savings bank could devote to the task of writing or his correspondents to answering his questions.

These disadvantages could be overcome in time, but nothing could restore the books of the Devon and Exeter Savings Bank destroyed by one of the 'Baedeker' raids of 1942, which demolished the Head Office of this old and interesting bank; nor the books of the Swansea Savings Bank, which suffered the same fate. War conditions also made it impossible to obtain access to the records of the St. Martin's Place Savings Bank—one of the leading savings banks in the mid-nineteenth century. They had been hastily evacuated from the Westminster City Library and were said to be inaccessible.

It is perhaps unlikely that such records would have added much to our knowledge of the main facts concerning the development of the Trustee Savings Bank Movement. Many of the local minute books I have read have been dull records of figures of little interest or importance except to students of local history. Fortunately some of the larger savings banks, which were concerned with the wider aspects of policy and development during the past century and a quarter, were able to produce a surprising amount of really valuable material, which filled up most of the gaps in our knowledge. I refer particularly to the Glasgow, Hull, Liverpool, and Manchester Savings Banks and to my own bank in Aberdeen. Other actuaries have taken much trouble to search their records and draw on their memories and

I am most grateful to them. I believe there is still much useful information to be gained by research into the books of local savings banks, not only to throw light on the history of these institutions, but to learn more of the social habits and economic conditions of the people who patronized them.

The small savings movement is developing so rapidly these days that it has been difficult to decide at what point the story of the old savings banks could most fittingly be broken off. It is difficult yet to see recent events in historical perspective and there are so many current problems awaiting solution that any month may witness some new change of real significance. The story almost fades out at the end of 1944, but may be said to cover, however inadequately, the whole of the Second World War up to August 1945.

Those who hold that a historian should be impartial will agree that this History should have been entrusted to other hands. I readily admit a great admiration for the work the Trustee Savings Banks are doing to-day. But I have tried to give a fair account of their failures and disappointments as well as their successes. The narrative is almost everywhere based on original documents.

I have had much help from the staff of the National Debt Office, the Trustee Savings Banks Association, and the Trustee Savings Banks Inspection Committee. Sir Leon Simon, C.B., then Director of Savings at the Post Office, not only gave me access to some of the old reports and papers relating to the Post Office Savings Bank, but secured for me at considerable trouble the statistics referring to that bank which appear in the Appendix.

It is impossible to name and thank all those throughout the country who have volunteered useful information and answered my questionnaires. But an exception must be made in the case of the three gentlemen who read the typescript and gave me their detailed criticisms. The late Mr. Thomas Henderson, C.B.E., of Glasgow, who died in March 1945, was one of the great figures of the Movement during the present century and had exceptional knowledge of savings banks all over the world. He had read and sent me his comments on almost the whole book before his death. Mr. H. W. S. Francis, C.B., O.B.E., until recently Comptroller-General of the National

Debt Office, gave me much help and advice, as he is particularly well qualified to do, not only because of the close connexion of his department with Trustee Savings Banks for over a century and a quarter, but on account of his personal interest in the banks and in the social history of the period. He also allowed me access to official publications, not easy to obtain elsewhere. He and his staff took much trouble to furnish and check many of the figures which appear in the text and appendices. Mr. W. Louis Lawton, C.B.E., the Actuary of the York County Savings Bank and for many years Honorary Treasurer of the Trustee Savings Banks Association, has a longer active connexion with the progress of the whole Trustee Savings Bank Movement than anyone else living to-day. No one is more qualified to comment on the evolution of savings bank and kindred organizations during the twentieth century. If I have satisfied to any degree these three friendly critics, I can feel that the book may be accepted by others as a fair and accurate account of savings bank history. I would add my thanks to three former Chairmen of the Trustee Savings Banks Association, without whose interest the book could scarcely have been produced.

I have received much encouragement from Sir Spencer Portal, now the Association's President, with whom I was privileged to work in close association for many years and whose work for the Movement is inadequately mentioned in these pages. It was under his successor, Sir John Chancellor, as Chairman of the Association, that the decision to publish this History was reached. His keen support gave the project its first impetus. Sir George Rainy, who was Chairman from 1938 until his death in January 1946, showed an equally active interest in the projected publication and frequently discussed it with me.

I have named in the following pages a number of the principal figures in the Savings Bank Movement during a century and a quarter. But only incidental reference has been made to those still in office. The heaviest burden of responsibility in guiding the Movement through these war years was shouldered by the late Sir George Rainy, Mr. Lawton of York, and Mr. J. R. Fiddes of Glasgow. I have little doubt that any member of the next generation who looks back on the events of this period will record that the Trustee Savings Banks owe as much to them as to any of their predecessors.

I gratefully acknowledge the work of my secretary, Miss Shearer, who has not only deciphered with great ingenuity and patience countless sheets of almost illegible manuscript, but has done some useful research and compilation of statistics. The graphs were prepared by another Aberdeen colleague, Mr. A. G. Miller, C.A.

The work would never have been completed without the help and encouragement of my wife, who has suffered not only from my absorption in this task during the long war years but by having chapters and parts of chapters read over for her criticism on very many occasions.

H. OLIVER HORNE

ABERDEEN
July 1946

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Chapter I

THE SOCIAL AND ECONOMIC BACKGROUND

THE great changes which have taken place in recent years in the ownership of wealth are often the subject of comment. Figures of 'small savings' announced over the wireless or appearing in the newspapers conjure up surprising visions of a race of small capitalists. Successive Chancellors of the Exchequer have elaborated upon the theme underlying Mr. Philip Snowden's assertion in 1930: 'It is my strong hope that more and more of our citizens may become partners in the country's wealth and that the great constructive works of the future may be founded not merely on the riches of the few but on the savings of all, and that with the passage of years the National Savings may become more and more the savings of the people.' It is generally recognized that there is to-day in the British Isles a National Savings Movement unrivalled for efficiency, variety and popular appeal. Yet little thought or study has been devoted to examining the origin of these significant developments. The rapid growth of small savings during the last thirty years or so was only possible because of the work and devotion of many generations of relatively unknown labourers in the field of thrift, whose reward at the time often seemed meagre enough.

In the following pages an attempt is made to trace the history of the old savings banks, now popularly known as Trustee Savings Banks or, in the more cumbersome phraseology of the law, 'Savings Banks certified under the Act of 1863'. They were pioneers in their work. They started with great enthusiasm early in the nineteenth century, as philanthropy's alternative to the Poor Law. Cradled in a Scottish manse, they were soon adopted by the State. William Wilberforce, whose words always commanded respect, said when the first Savings Bank Bill was introduced into the House of Commons in 1817: 'Whatever difference of opinion there might exist as to the Poor Laws, it is of all things desirable to countenance and foster so sanative a principle as that on which Savings Banks are founded.' The great majority of members agreed, though Mr. Curwen, whose

knowledge of the Poor Laws was unrivalled, thought the Bill would be 'a feather in the scale of our difficulties'. With the country's blessing, the movement spread rapidly and achieved a spectacular early success. But the State did not always prove a considerate foster parent; nor was the conduct of the adopted children always beyond reproach. After a period of bickering and mutual accusations in the middle of the century, which hampered growth, the State, represented by the masterful figure of Mr. Gladstone, transferred its affection to a new child, the Post Office Savings Bank, expecting, or so it seemed, the discarded favourites to succumb to the hard but inevitable effects of the natural law of survival of the fittest. Yet the spark of vitality in the old banks was by no means extinct and the story goes on to tell of their recovery, despite another setback at the end of the last century, and their robust and increasingly rapid growth in the present century.

The instinct to save is almost as old as human nature. It would be out of place in a history of savings banks to attempt to trace the earliest conceptions of thrift or to follow their development through the ages. Organized thrift is a more recent development. The craft guilds of the Middle Ages gave expression to the need for it by forming charitable funds to which members of a craft contributed for their own relief in times of sickness, unemployment, and old age, and for the assistance of their widows and children. The guilds, however, decayed. Few of them had much life left in them by the end of the seventeenth century. In some cities their charitable and philanthropic work has been continued down to the present day, but their claim to represent even small sections of those employed in trade had virtually gone by default in the eighteenth century. They neither adapted themselves to the changing and expanding structure of industrial life, nor did they profess to cater for the ordinary labourer. At the height of their power they only covered that small but important section of the urban community which by its skill in handicraft could command reasonable remuneration and working conditions and a relatively stable standard of living. Outside the guilds were the great mass of labourers and the workers in unorganized trades, a section of the community which was to become larger and more important as the industrial structure of the country changed in the

eighteenth century. For these there was no provision for mutual self-help. Nor is this surprising, for their meagre wages afforded little chance of saving against adversity. When they became sick or disabled or unemployed or too old for work they looked to private or public charity for relief. The Church and particularly the monasteries were the principal relief organizations, until in England the Tudors appropriated monastic endowments for other purposes. Then the State had to improvise a poor law to fill the gaps and only in Scotland did special collections at the church door remain the chief source of relief until early in the nineteenth century.

The transference of the responsibility for relieving the destitute from private charity to a poor rate assessed by local overseers, brought about by the Elizabethan Poor Law, although it did little at the time to improve the lot of the labourer, brought the whole subject of poverty and its cure to the fore. Public opinion was satisfied so long as the poor rate was used to relieve the sick, the aged, the children and the disabled. But the problem of unemployment and vagrancy was becoming more insistent. Neither the Cromwellian Parliaments nor those after the Restoration were disposed to be sympathetic to those out of work. The philosopher, John Locke, was among those who at the end of the seventeenth century came to the conclusion that the increase of poverty was due to relaxation of discipline and corruption of manners. The doctrine of self-help began to be preached and soon found a vigorous and able exponent in Daniel Defoe. This stern individualist, who believed that the poor should work out their own salvation without any benevolent assistance from the State, found favour with Parliament at the beginning of the eighteenth century when he effectively killed proposals which were on foot for establishing houses of employment for the poor.[1] His criticism was not purely destructive, for in 1697 in the course of his *Essay on Projects* he had advocated the formation of a 'Pension Office', which labouring people should join on paying an entrance fee of sixpence and a subscription of a shilling a quarter.

Defoe has sometimes been referred to as the real originator in this country of the idea of savings banks. It is true that he strongly advocated provident habits and suggested various

[1] Defoe, *Giving Alms no Charity*, 1705.

methods by which these might be encouraged. But his Pension Office was a conception of compulsory insurance rather than of a savings bank. Labouring people not over 50 years of age (beggars and soldiers excepted) were to be obliged to contribute, so that, if they met with sickness or accident or were disabled or reduced to extreme poverty, they could claim relief from the fund which they had jointly built up, instead of having to ask support from the community. Giving alms was no charity and only tended to increase vice and idleness. A Pension Office would encourage independence and 'for ever banish beggary and poverty out of the kingdom'. He had little faith in human nature and would not even give pensions to the sick or aged unless *visibly* disabled, but would maintain them in a hospital supported by the Pension Fund, as a safeguard against imposition. Clearly this was to be no savings bank. But although Defoe's practical proposals can hardly be said to have borne the slightest resemblance to the savings banks of over a century later, he had a clear vision of the theory of saving for a rainy day. 'That all persons in the time of their health and youth, while they are able to work and spare it, should lay up some small inconsiderable part of their gettings as a deposit in safe hands, to lie as a store in bank to relieve them, if by age or accident they come to be disabled or incapable to provide for themselves.'

Defoe had no opinion of the future of life insurance but commended friendly societies. Indeed the whole idea of his Pension Office arose out of his meditations on the possible extension of friendly societies. There were a few such societies in existence before his time, but they were by no means widespread. The Incorporation of Carters of Leith dates from 1555 and the General Sea Box at Borrowstounness from 1659. The thrifty Huguenots, too, started similar contributory funds at the end of the seventeenth century. This form of thrift, which was probably influenced by the craft guilds, though of independent origin, made rapid progress in the eighteenth century. Meeting at the nearest 'house of call' to have a chat over a mug of ale, the members of a trade responded readily to suggestions of a small weekly contribution to help each other when sick or in old age or to provide the funds necessary to avoid the stigma of a pauper's funeral. Some of these associations developed into

friendly societies, others into trade unions. One of their commonest features was the box with three locks in which the cash or securities were kept, the three keys being entrusted to different officials. This device for ensuring that one dishonest official could not tamper with a society's cash was sensible enough at a time when banking was little developed. It was adopted by many of the early savings banks, particularly in Scotland.

Generally speaking, the friendly society movement was welcomed and encouraged by those in authority, but it was not until 1793 that it received official recognition. In that year the Rt. Hon. George Rose, of whom more will be told later, secured the passage of an Act giving friendly societies certain privileges. It was one of various measures designed to prevent the growth of the poor rate. This statutory recognition resulted in a huge increase of membership from 50,000 in 1793 to 704,000 in 1805, an increase which was stimulated by the drastic laws against purely trade combinations of workpeople in 1799–1800. The Friendly Society or Box Club became a feature of every community of any size. Although the early friendly societies were often unsound financially and various abuses sometimes became associated with their methods of conducting business, the contribution of this spontaneous democratic movement to the growth of thrift can hardly be exaggerated. Friendly societies showed that sweeping allegations about the lack of providence of the labouring classes were very wide of the mark and that, given reasonable opportunities for thrift, the desire for independence, which has always been an important element in national character, would assert itself.

Rose's Act was one of many proofs that self-help had again become a guiding principle in the last quarter of the eighteenth century. The overwhelming influence of Adam Smith bore strongly in its support. 'We are all your pupils', said Pitt. Adam Smith took a broad and humanitarian view of the conditions of the time. He was a philosopher before he was an economist. Justice and prosperity would come through freedom. Freedom implied not only the removal of artificial impediments to trade but the liberty of the individual to develop his own personality and work out his own salvation. Self-interest was the strongest driving force towards man's economic goal, but there was also

a desire implanted in the human breast of bettering its condition. This teaching naturally tended to encourage the growth of organizations designed to safeguard the individual's freedom from dependence on others. So we find at the end of the century not only the growth of friendly societies but the growth of life assurance, the formulation of annuity schemes, the germs of the Building Society and Co-operative Movements, and the foundation of the first simple savings banks.

An interesting annuity scheme was propounded by Dr. Richard Price and Mr. Baron Maseres in 1772. Dr. Price, who is chiefly remembered to-day as the object of Burke's wrath for his Old Jewry sermon on the French Revolution, was known in his day as the leading statistician of his time. Condorcet regarded him as one of the formative minds of the century. Pitt is said to have been influenced by him in re-establishing the Sinking Fund for the National Debt. Dr. Price staggered a public unused to juggling with figures by the statement that a penny put out at compound interest at 5 per cent. at the birth of Christ would by his time be equal to the value of several globes of gold of the dimensions of the terrestrial globe. Between 1769 and 1773 he was engaged in studying the expectation of lives and the proper method of calculating the value of contingent reversions. He saw that many insurance and friendly societies promised benefits based on most inadequate calculations and, with the aid of Baron Maseres, he propounded an elaborate scheme of contributory old-age pensions. 'This cold moralist', says Mr. Brailsford,[1] 'who despised the emotional aspects of human nature and found no place for the affections in his scheme of the virtues, lapsed into passion when he attacked the National Debt and developed an arithmetical enthusiasm when he explained his plan for providing through voluntary insurances for the old age of the worthy poor.' This scheme was later embodied in a Bill introduced into the House of Commons by Mr. Dowdeswell in 1773. The Bill passed through the Commons only to be rejected in the Lords. Its interest in relation to the history of organized thrift lies not so much in its specific proposals as in the indication it affords that the question of saving by the working classes was again becoming a subject of political discussion. The preamble of the Bill might, indeed,

[1] Brailsford, *Shelley, Godwin and their Circle.*

have been written by any of the savings bank pioneers of thirty or forty years later.

'Whereas it often happens that persons engaged as journeymen in manufactures and handicraft trades and likewise household servants, labourers and divers other persons get more money as the wages of their labour and service than is sufficient for their present maintenance and might easily, if they were so minded, lay by, out of their said gettings, a sufficient sum to provide for their old age.

'And whereas it would be highly useful both to the said persons and to the nation in general that they should endeavour to make such provision for their support in the latter period of their lives, as they would thereby become more sober and virtuous in their ordinary course of life, and more industrious in the prosecution of their several callings and employments, which would tend to the increase of the riches and manufactures of this kingdom.

'And whereas it is probable that many of the said persons might be induced to lay up some part of their earnings in their youth and middle age, in order to make such provision for their old age, if convenient opportunity were offered them, of employing the money they should lay up in a safe and advantageous manner. . . .'

The scheme was to be based on the parish and its adoption was dependent on the approval of a majority of ratepayers. The annuitants were to be offered the security of the rates should their contributions prove inadequate to produce the promised annuities.

The minimum sum which would be received for an annuity was £5, a fact which would certainly have limited its appeal to labourers, even though purchasers were assured by the promoters of the scheme that they would get 9 or 10 per cent. on their money if they waited five years and 30 or 40 per cent. if they waited twenty-five or thirty years. Sir Frederick Eden's criticism (1796) of this proposal for voluntary annuities as a palliative, if not a cure, of poverty, was fair enough and reflected the widespread hope that the friendly societies, whose activities he had observed in nearly every parish, would eventually meet all reasonable needs for working-class thrift.

'I confess that the scheme, however well calculated for the benefit of the small tradesman, does not appear to be well contrived to assist the *labouring poor*. There are few persons in that sphere of life, with families, who could possibly accumulate £10 from their earnings in

less than two years; and to the man who receives a shilling or eighteen pence a day, the temptation which that sum, accumulating in his drawer, would present, would be so great that we must suppose him to possess an uncommon degree of self-denial to wait till it amounted to the sum requisite to purchase the parish annuity. Friendly Societies are in every respect better calculated to attract the notice of the industrious labourer. They offer him the gratification of spending a social hour with his neighbours once a month and of securing him a decent allowance in any future sickness, for a sum which seldom exceeds 3*d.* a week. This is so trifling a deduction from his weekly earnings that I am convinced no member of a box-club has ever been sensible of any diminution in his domestic comforts from paying it. A Friendly Society which required one annual payment of 10/- or 12/- would have few subscribers.'[1]

In 1786 Mr. Acland tried to meet the objections to the Maseres plan by suggesting small compulsory weekly contributions to a national club which would guarantee fixed weekly benefits in sickness and old age—a sort of State Friendly Society. The subscriptions were to be 2*d.* a week for men and 1½*d.* for women and were to be compulsory for all between 21 and 30 years of age who were not incapacitated or married with families. To add to the Fund's income, £10 freeholders or leaseholders were to contribute up to 2*s.* a week. With the expert statistical aid of Dr. Price, an elaborate scale of benefits was propounded, but, although the scheme had a favourable reception when it came before the Commons in 1789, it suffered the same fate as the Maseres-Price plan at the hands of the House of Lords. A rather similar compulsory scheme was advocated by Mr. Townsend in 1787, but he wanted to vary contributions and benefits according to a man's income. Although none of these plans came to anything, they showed the prevalent desire to encourage working-class thrift. But the idea of a bank for small savings, that a man should be free to withdraw as well as deposit his savings at his own discretion in his own bank, was a conception of the next generation.

Banking, after all, was only beginning to be popular as a method of saving money rather than of financing trade or paying the Government's debts. The Bank of England had been started in 1694, followed by the Bank of Scotland in 1695.

[1] Eden, *The State of the Poor.*

Throughout the eighteenth century the elements of a sound banking system for the country were being worked out by the usual process of trial and error. Scotland, after the staggering blow of the Darien Company's failure, made a steady recovery. The Royal Bank became a worthy competitor of the 'Old Bank' in 1727 and these two chartered banks, despite occasional fluctuations of fortune, soon reached almost unassailable positions. Although they did not cater for the working classes and would not accept deposits of less than £10, they did much to encourage the small trader and shopkeeper by the issue of notes of small denomination, which helped to overcome the currency difficulties in the less populous districts, and by the system of cash credits under which advances were made to people of small capital who could obtain two or three reputable sureties. Moreover, the Scottish banks accepted money on deposit at interest from early in the eighteenth century, whereas in England interest was not as a rule allowed on bank deposits until well on in the nineteenth century. This fact was later to account for the different development of savings banks in England and Scotland. The English savings banks had to find means of investing their funds at interest outside the banking system, as they could not obtain suitable facilities from the banking community. In Scotland by the beginning of the nineteenth century it was possible to deposit savings bank funds with the Scottish banks at 5 per cent. interest and there was consequently less disposition on the part of the Scottish pioneers to ask favours from the State.

By the beginning of the nineteenth century the two Scottish chartered banks had been joined by the Banking Company in Aberdeen (1749), the British Linen Company, which began banking operations in 1746, and a number of other substantial private companies of which two, now amalgamated with the Union Bank of Scotland, were prominent, Sir William Forbes, James Hunter & Co., and the Thistle Bank of Glasgow. The opening of the Commercial Bank of Scotland in 1810 inaugurated a new wave of activity, particularly through the opening of branch banks. By this time deposit banking at interest was thoroughly familiar to people in Scotland and the extension of this idea to sums of less than £10 would seem a natural enough development.

In England, however, banking had evolved on different lines.

The Bank of England had obtained a privileged position as a result of its loans to the Government. The National Debt really originated with the loan of £1,200,000 by the Bank to the State in 1694 at 8 per cent. interest. The South Sea Company, which might have become a competitor in the raising of loans for public purposes, failed disastrously in 1720. But as far as banking was concerned, the Bank of England was protected after 1708 by an Act which prevented any other corporation or partnership of persons exceeding six from undertaking banking business in England. This embargo on joint-stock banking was not removed till 1826. With the industrial developments in the second half of the eighteenth century, the provinces began to find a need for local banking facilities. These had to be met by small private banks which did not infringe the Bank of England's privilege. They were often conducted as a side-line to a prosperous merchant's business. During and after the American War private banks sprang up in considerable numbers. But, like the Bank of England, they were mainly concerned with industrial development or with providing finance for farming and land development and made little attempt to cater for the man of small means who wished a safe home for his savings. They acted as banks of remittance, thus keeping the provinces in touch with London; they discounted bills; and they advanced money to meet local development, a profitable though hazardous business. It was only too easy to do this so long as there was no restriction on the issue of local notes and it was not until 1775–7 that Parliament began to restrict the printing of small notes. Indeed, many of the private banks were built on sand and at the first serious commercial crisis they fell in great numbers. Twenty-two failed in 1793. Over 700 were started between 1797 and 1814. One-third of them had stopped payment by 1815. Clearly there was here no safe place of deposit for small savings, even had the private banks been willing to receive them. The starting of savings banks in England was, therefore, much more of an innovation in the sphere of banking than in Scotland. Entirely new machinery had to be devised.

The failure of the private banks, in turn, caused no little embarrassment to the Bank of England, which became faced with large drains on its gold reserve. When this factor was combined in 1797 with fears of invasion, rise of prices, and

abnormal war expenditure, only a small proportion of which was being met out of taxation, the Bank had to suspend cash payments. The gold and bullion were almost exhausted and Britain went off the gold standard for nearly a quarter of a century. 'I certainly did think the nation was ruined beyond redemption', wrote Sir William Forbes of Pitsligo, the Edinburgh banker, when he heard the news. Actually the nation was approaching an era of great expansion and increasing wealth, but the immediate future went far to justify these gloomy forebodings. The period of suspension from 1797 to 1821 was not only a period of acute financial stress, but was to many wage-earners a time of almost unparalleled hardship and distress. Yet these years of poverty and crisis were the very years in which the movement to start savings banks was born.

The explanation of this paradox may be that when distress reaches a certain intensity it forces people to probe more closely into the problems of poverty and to welcome any new proposal which seems to hold out hope of some alleviation. Sir Frederick Eden's survey of the 'State of the Poor' in 1796 had thrown light on the conditions in which many were then existing. In December of the same year a new Society was started in London under the patronage of the king to study 'everything which concerns the comforts of the poor and everything by which their comforts can be increased'. Its name was the Society for Bettering the Condition and Increasing the Comforts of the Poor and it set out 'to collect information respecting the circumstances and situation of the poor and the most effective means of meliorating their condition'.

This society did valuable work in studying and spreading knowledge of practical proposals for relieving poverty and removing some of the causes of distress. The important part it played in connexion with the start of savings banks is referred to later. Its activities were undoubtedly a sign of the times.

Similar societies were established about this time in other big cities. The new search for economic truth, started by Adam Smith and continued by Malthus, Ricardo, and others, no doubt influenced their formation, but a stronger reason was the wave of humanitarianism and philanthropy which characterized the end of the eighteenth and the beginning of the nineteenth centuries. It is true that the philanthropy of the time often

expressed itself in a patronizing tone which jars on modern ears and that the consistency of some of its prominent exponents has been called in question. Wilberforce, the liberator of slaves and one of the founders of the Society for Bettering the Condition of the Poor, was strangely blind to many of the grievances of the workers in his own country; George Rose, the enthusiast for friendly societies and savings banks, was a notorious sinecurist and a supporter of the full rigour of the Combination Laws. It would be futile to attempt to generalize about the motives of the thousands of men and women of the ruling classes or learned professions who were working for the reform of various abuses and the alleviation of distress. Some doubtless believed that the division of rich and poor was a divine dispensation of Providence, a few may have feared revolution or had an exaggerated notion of the danger of interfering with the free play of economic laws. Yet the early years of the savings bank movement prove beyond doubt that there were large numbers of kind-hearted people who, however imperfectly they understood their Adam Smith or the changes through which they were living, were genuinely anxious to 'better the condition of the poor'. The idea of savings banks, guaranteed and largely conducted by voluntary trustees and managers, appealed to them as a practical step in the right direction and gave them an opportunity of showing their sympathy. It was in line with the prevailing philosophy of self-help. It held out hope of a reduction of poverty with the minimum of State interference. Those who actively supported this semi-philanthropic innovation could expect no benefit for themselves, for any early reduction of the poor rate by this means could hardly be expected by the most optimistic. On the other hand, they were entering into immediate commitments for regular honorary duties and shouldering what might become a substantial financial liability in order to give those less fortunate than themselves opportunities for advancement, security, and independence. There is no reason to think that the movement was not as disinterested as it was spontaneous. The savings bank pioneers may justly claim an honoured place beside philanthropists like Sir Samuel Romilly, Sir Robert Peel the elder, Elizabeth Fry, Samuel Whitbread, and William Wilberforce, who were striving at this time to promote other much needed reforms. A contemporary

reference in the Sheffield *Mercury* (5 December 1818) shows how at the time the savings banks were linked together in people's minds with other philanthropic and humanitarian movements:

'We consider the establishment of these Banks [Savings Banks] as one of the great improvements which distinguish modern times; and this, whether they are viewed in a moral or political light. As the practice of vaccination bids fair to eradicate the most loathsome and destructive diseases from the earth;—as the establishment of Houses of Recovery are likely in time to extinguish the infection of fever in our cities and large towns;—as the institution of the Bible Society tends to eradicate error and ignorance from the world;—so the establishment of Savings Banks may ultimately tend to banish poverty and wretchedness from society. We mention these four things, because we consider them as likely to effect considerable improvements in the state of the world, and we cannot help feeling proud in the reflection, that they all owe their origin to the genius, wisdom and philanthropy of our country. At some remote age, when the historian of England is relating the glories and exploits of the eighteenth century, he will dwell with peculiar pleasure on the origin of those improvements, which are probably destined to effect important changes in the condition of the human race, and which indeed will reflect higher honour on our island than the most brilliant successes, on sea or on shore.'

What was the general picture which emerged from the investigation of Eden and Bernard and others like Colquhoun[1] and Cobbett,[2] who were beginning to study social conditions? It was of a complex society in which some of the members were being depressed by rising prices to a condition verging on starvation, while others were earning higher wages than ever before owing to shortage of labour; in which some were gaining, others losing, by the advent of the machine industries; in which growing wealth was accompanied by growing expenditure on the Poor Law.

The poor rate was the barometer. It was watched closely, for its rise both affected the pockets of the wealthy and aroused the concern and sympathy of the philanthropic. The cost of poor relief in England between 1783 and 1785 averaged under £2 millions a year. By 1813 it was over £6½ millions and soon after the Napoleonic Wars it rose to the then fantastic and disturbing figure of £8 millions. By 1815 it was estimated that one in eight

[1] See pp. 30–33. [2] See p. 75.

of the population of the country was supported wholly or partly from the poor rate. The rates rose to over 20*s.* in the pound in some manufacturing parishes. No wonder Mr. Curwen regarded the establishment of savings banks as 'a feather in the scale of our difficulties'.

With distress on this scale it was obvious that in very many families there was no margin for saving. But conditions varied greatly between one part of the country and another, between one trade and another, and from one year to another. The member of the community who was hardest hit during these years was the village labourer. The acceleration of inclosure of open fields and commons and waste land was eliminating the small freeholders and independent peasantry from a large part of England in favour of the tenant farmer. The agricultural labourer no longer had his plot of ground, his cow or pig and his rights on the common. The home industries, such as wool spinning, which had given employment and much needed additional income to his wife and children, were dying with the growth of the new machine industries. There is little doubt that in parts of England during and after the Napoleonic Wars the labourer and his family had barely enough to keep them alive on the most meagre diet and often in the most squalid conditions. The low standard of living of crofters and others in Scotland and Ireland was well known, but they probably suffered less from fluctuations in prices.

The main cause of the trouble in England was the sensational rise in the price of wheat, the basis of the staple diet. The average price of wheat for the five years from 1786 to 1790 was 47*s.* 3*d.* a quarter. By 1810 it had risen to 106*s.* 5*d.* and by 1815 to 126*s.* 6*d.* It has been conservatively estimated that the cost of living of a working-class family was half as much again in 1815 as in 1790; labourers' wages had not increased by more than 20 per cent. in the same period. This steady deterioration in the labourer's lot forced the local magistrates to step in and subsidize wages from the rates in order to keep those with large families from actual starvation. The 'bread scale', associated in history with the magistrates of Speenhamland in Berkshire, who put it into practice in 1795, 'did not originate the practice of allowance in aid of wages; it merely systematised a practice which, because it was becoming widespread, needed to be

conducted on some regular plan'.[1] The Speenhamland system, intended to save the depressed labourer from unbearable additions to his misfortunes, actually made his position considerably worse by keeping down the level of wages and forcing him into an ignominious position of dependence on the local overseer. It undoubtedly helped to tide over the worst period of disorganization due to the war, the rise in prices, and the industrial revolution, but it held out no hope to the wage-earner beyond an indefinite maintenance of himself and his family at a bare subsistence level. As Malthus justly remarked: 'Though it may have alleviated a little the intensity of individual misfortune, it has spread the evil over a much larger surface.' Another result of the system was that 'it actually proscribed independence and punished the labourer who owned some small property'.[2] The Poor Law Commission of 1834 quoted cases in which labourers with savings found that they could not obtain work, because their savings made them ineligible for parish relief. The farmers would give preference to those who were a charge on the rates, as the burden of rates would thereby be lessened. One instance is quoted of a man in Cambridgeshire who was advised to spend his money at the public house and that 'then he would get work'. The small farmers and cottage proprietors who helped to pay the swollen rates received no benefit, for they employed no hired labour. Many of them were unable to shoulder the new burden and lost their independent status.

Although the cost of living began to fall rapidly again during the years after 1815,[3] in which savings banks were spreading over the country, the labourer's condition remained depressed. Had the early savings banks relied mainly on deposits from this source, it is very unlikely that the movement would have made much headway for another generation. For the situation did not improve materially until the Commissioners who administered the Poor Law Act of 1834 performed the painful but necessary operation of stopping rate subsidies to wages. Yet

[1] C. R. Fay, *Great Britain from Adam Smith to the Present Day.*

[2] J. L. and Barbara Hammond, *The Village Labourer.*

[3] The fall in the cost of living actually began the year before. According to Silberling's index, the figure in 1813 was 187 on the basis of 100 in 1790. During the next three years it fell to 176, 150, and 135 and by 1822 was back at 100, though it did not stay there for long.

savings banks were started in some agricultural parishes immediately after the defeat of Napoleon and met with some support. Much of this support doubtless came from other residents in the parish, domestic servants, village craftsmen and shopkeepers (unfortunately few records of these early banks survive); but, in so far as the labourers and their families were depositors, there are a number of possible explanations. The unmarried labourer was rather better off than the married and might be in a position to save something towards his marriage. Home industries, though rapidly dying, still afforded means in some districts for the wife and children to supplement the husband's earnings. Some employers took a more human interest in their workers than others and encouraged them to keep a pig or cow or provided allotments or gave them various additions in kind to their money wages.

Moreover, the Speenhamland system was not put into operation all over the country. It never extended to the northern counties of England or to Scotland. Scotland was still a poorer country than England and wages were, if anything, lower; but during this period the Scottish farm worker was probably better off than his counterpart in southern and eastern England. If he did not live in the farmer's house, he often fed at his table. His wages might only be £6 to £8 a year, but he could probably reckon on a house and a few extras such as 'six bolls of meal and ground for potatoes' or 'a lippie of lint ground'. It is recorded from Inverness-shire that a cottar with not more than £7 a year plus house and garden and a cow was able to bring up a family of nine without public aid. The north-country labourer was accustomed to eat oats instead of wheat and so escaped the violent fluctuations of price suffered by the southerner, who insisted on his white bread. It was customary in many parts of Scotland to pay wages half-yearly at the Whitsunday and Martinmas Terms and this made the wage-earner welcome a safe place of deposit. These are some of the factors which explain why in Scotland savings banks made their first appearance in the country parishes, whereas in England the movement started mainly in the towns.

What scope was there for saving among the 'industrious classes' in the cities and towns? Few of those towns yet had machine industries on a large scale and there was not an indus-

trial proletariat of the type which became familiar in the Victorian age. Even as late as 1831 half the population of the country was still living under rural conditions, though the towns were growing apace. The typical town worker was still the handloom weaver, the journeyman tailor, the cobbler, the wright, the joiner, the mason, the compositor, the clerk and, in many places, the dyer and woolcomber. Power-machine operatives and factory workers were still confined to a few localities, mainly in the cotton districts. Mining was still more localized. Shopkeepers were increasing in numbers and a large number of people of both sexes earned a living as domestic servants. The towns were growing fast. Many who had given up agricultural pursuits drifted to them in search of employment and better wages. There was a considerable immigration from Ireland. After the war the discharged soldiers added to the labour problems. The towns, in fact, had to absorb and sustain a rapidly increasing population. The population of the United Kingdom had increased from about 14,000,000 in 1790 to 19,000,000 in 1815. In England and Wales alone the increase between 1811 and 1821 was nearly 2,000,000—a rate of growth which has never been equalled. This unprecedented increase caused more alarm to the disciples of Malthus than did the spectacle of the deserted village. It was often attributed at the time to the effects of a lax Poor Law in encouraging early and improvident marriages, but is now recognized to have been mainly the result of a marked decline in the death-rate due to improved sanitation and advances in medical knowledge and skill. The growth of the towns was most noticeable in the north of England and the Midlands. In these towns a relatively small class of capitalist entrepreneurs was becoming increasingly divided from the mass of wage earners.

In these changing conditions it is difficult to give any clear picture of the wages prevalent in the towns. There were considerable variations between one town and another and wages were usually higher in London than in the provinces. Francis Place, tailor and organizer of Parliamentary Reform, says that the skilled London craftsman received 22*s*. a week in 1793, 33*s*. in 1810, and 36*s*. 6*d*. in 1813, maintaining the latter figure till 1832 despite the fall in the cost of living.[1] The London compositor

[1] Quoted in Cole and Postgate, *The Common People*.

might receive as much as 48*s.* a week. In the provinces skilled craftsmen's wages ranged for the most part between £1 and 30*s.* a week and some of the factory workers received as much as this. In the factory districts the employment of young children often added to the household income at the expense of the children's health. Compared with the village labourer's meagre 9*s.* to 12*s.* 6*d.* a week, many urban workers had some margin for saving, provided employment was steady and the cost of living kept within reasonable bounds. There were, of course, notable exceptions. The decline of the handloom weaver was just beginning to set in and during the next twenty years or so his lot became progressively worse, until he had sunk almost below the level of the village labourer. There were also years when conditions in the towns were little if any better than conditions in the country. In 1819, for instance, the weavers of Carlisle petitioned the House of Commons, stating that on working from fourteen to seventeen hours a day for six days their earnings did not amount to more than 5*s.* or 7*s.* In 1816, when savings banks were making a tentative start in London, the Corporation of London stated in the course of a similar petition that 'the distress and misery which for so many years has been progressively accumulating has at length become insupportable'. According to Brougham, in the years 1816–17 only two out of nine in the clothing industry and a third of the Birmingham iron trade had work. Wages in the cotton industry were down to 4*s.* 3½*d.* as against 13*s.* 10*d.* in 1802.

This period has been studied exhaustively by social and economic historians and only a rapid survey is possible here. Some glimpses of the economic background are necessary if one is to gauge the success of the early savings banks. There were obviously large numbers of families to whom the saving even of the 'trifling deduction' of threepence a week for the friendly society was barely possible. On the other hand, there was a margin for saving out of wages in the case of most artisans, apprentices, and domestic servants; those small tradesmen who had a little put by would welcome a safe place for its custody, as would widows left with a modest capital sum and the thrifty housewife. There was undoubtedly a good deal of hoarded money in the country, lying in unsafe places in the homes of the people and, of course, earning no interest. The time was cer-

tainly ripe for a practical encouragement of saving. The response to the first practical steps will be examined later.

One other adverse factor must be mentioned. These were years of political and economic ferment. The voice of discontent was heard more loudly at some times than others. The frame-breaking riots of 1811–12 were ominous. The war had not been popular with the masses. 'Orator' Hunt had denounced it as a 'long, bloody and unnecessary war against the liberty of Englishmen and all mankind'. The National Debt had risen from £130 millions in 1760 to £850 millions in 1815, and those who lived on the interest were almost as much the target of popular criticism as were the sinecurists whose number, though reduced, was still considerable. The cry for parliamentary reform was growing and more radical suggestions for a reconstruction of society were being fanned by revolutionary breezes from across the Channel. The suspension of the Habeas Corpus Act in 1817 showed the Government's nervousness and this was followed by Sidmouth's Six Acts two years later which, according to Sir James Mackintosh, amounted to an almost complete suspension of the Constitution. The outbreaks of popular feeling were spasmodic and unorganized and the reformers themselves were at loggerheads. William Cobbett, the brilliant propagandist, quarrelled with Sir Francis Burdett, the Parliamentary Reform leader. Both laughed at the Spencean land reformers and the Owenite brand of industrial socialism. Panaceas were two a penny.

This state of affairs doubtless inclined those in authority to support practical proposals which would give the discontented workers a greater stake in the country. But the agitation, particularly when it was handled with the vigour and brilliance of a master-hand like Cobbett,[1] caused suspicion of any plans for the benefit of the working classes which were promoted by the landed gentry, employers, and politicians. The extent of this distrust is difficult to gauge, but it seems likely that it deterred a good many of the town labourers from patronizing the new savings banks in their early years. Class consciousness was not yet widespread, but it was rapidly increasing, as the workers flocked to the new towns and began to feel the full effect of a *laisser-faire* industrialism.

[1] See Chapter V.

These facts emphasize some of the difficulties with which a movement to start savings banks had to contend between 1810 and 1820—low wages, high prices, growing discontent, and suspicion. Yet there were those who saw that, despite all these factors, the time was ripe for the launching of such a venture and that the response was likely to justify the labour and expense.

Chapter II

EARLY EXPERIMENTS AND THEORIES

A CHANGE of attitude to the working man and his savings began to emerge at the very end of the eighteenth century. The would-be reformers of the previous hundred years from Defoe to Price, Maseres, Acland, Townsend, Eden, and others had hoped to advance along the paths being experimentally trodden by friendly societies, paths which they hoped to broaden by the addition of some State-supported scheme of deferred annuities. The idea of the labouring man or woman having a bank account on which to operate at will was not seriously contemplated. Banking, after all, in anything like its modern sense, was only beginning to be regarded as essential by the well-to-do. It needed a bold adjustment of thought to see that it was also needed by the poorly paid worker.

There was clearly little margin for saving on a shilling a day or even twice that amount. Yet it was common knowledge that money was saved even in working-class homes. Reports of robberies in small cottages were not infrequent and a man with a little hoard sometimes lost his life as well as his property in days when small houses offered little protection against intruders, and the police system was badly organized and inefficient. The predicament of the working man of a thrifty disposition was put in this way by a writer in the early nineteenth century:

'The labouring man can make no profit on money retained. He also lies under many chances of being able to preserve it. The coarse and imperfect means of shutting his house or any receptacle which it may contain exposes his little treasure to the hand even of a clumsy depredator. Accordingly we find that persons in the lower situation of life who acquire a reputation for the possession of hoards are almost always robbed. If they are disposed to lend the fruit of their industry and frugality, their limited experience of mankind makes them yield to the man who takes most pains to persuade them; and that is often the man who never means to pay them again, and who has therefore the strongest motive to take the measures necessary for gaining their confidence.'

But in spite of the risks and the obvious lack of encouragement the desire to save persisted. The tradition of the stocking, the mattress, the hiding place under the floor or in the chimney was firmly established. The need for some safe depository for such savings seems, however, to have been obscured for a time by a widespread belief amongst the governing classes that the poor as a whole were poor because of their improvidence, that they were incapable of looking after their own affairs and, if they had more money, would sooner or later squander it. Some went further and thought that there was a real danger of making the working classes too independent at a time when all sorts of revolutionary notions were about. The poor must be kept in their place.

It was therefore necessary to instil into people, particularly those in authority, a different idea of the dignity of labour and the potentialities of the individual. The squire and the parson, the industrialists and the professional men were not likely to be swayed by new political theories as to the rights of man. The views on the equality of man and the evils of extremes of wealth and poverty propounded by Tom Paine and Godwin, Coleridge and Southey, so far as they came to their notice, were dismissed as the wild and perhaps dangerous theories of impractical idealists. It was another matter when a man of the social standing of Sir Thomas Bernard urged them to study every practical means of relieving or abolishing poverty.

Bernard was the leading personality in the Society for Bettering the Condition of the Poor, the establishment of which in 1796 has already been mentioned. He was a retired barrister with an outstanding record of charitable and philanthropic work. The Foundling Hospital, the School for the Indigent Blind, and the London Fever Institution all owed much to his labours. He took practical steps to improve education and health, encouraged the provision of allotments, interested himself in the conditions of employment of apprentice chimney sweeps, founded an Association for the Relief of the Manufacturing Poor (1813). Perhaps his most valuable activity was the editing of a series of excellent and informative Reports on behalf of the Society for Bettering the Condition of the Poor. These Reports had a very wide circulation and helped to spread knowledge of every new practical scheme for reducing poverty

which the social reformers of his day were trying out in any part of the British Isles—improved constitutions for friendly societies, village shops for supplying necessaries at cheap prices, workshops for the unemployed, model workhouses, educational reforms. 'The poor have never had a fair trial', he wrote. 'Let useful and practical information be offered to them; give them time to understand and the choice of adopting it, and I am mistaken if they do not show as much good sense on the subject as any other class of men in the kingdom.' Sentiments like these may sound rather sententious to-day, but they needed saying at the beginning of the nineteenth century and doubtless had an influence on the titled and moneyed patrons of the Society. Everyone of consequence was a member—philanthropists, economists, members of both Houses of Parliament. 'The idea' (of savings banks), wrote the Rt. Hon. George Rose, M.P., in 1816, 'was first suggested by the Society for Bettering the Condition of the Poor, of which I have long been a member.' This was not quite true, for the earliest experiments were made independently elsewhere. The Society's contribution was to circulate information about these early experiments among people who had the means, the influence and the disposition to make practical use of the information. Later it took the lead in establishing a savings bank in London, and Bernard's name deserves to be coupled with those of Henry Duncan, Priscilla Wakefield, and the other pioneers whose claims to be the originators of savings banks are considered in this and the following chapter.

Dr. Shute Barrington, the Bishop of Durham, who was President of this Society, suggested that the clergy of his diocese should try to do something practical for the aged. He made some suggestions, as a result of which the Rev. Mr. Burgess of Winston and the Rev. Mr. Gilpin of Bishop Auckland arranged for a number of old people to meet in each other's homes on Sunday evenings for reading and discussion and to bring with them at least one penny a week. A tithe of this was to be devoted to help others, the rest to increase their own comforts. If they kept up their contributions they would receive the money back at the end of the year with substantial bonuses, depending on their age. Those over 60 would find their savings doubled, those over 70 trebled, and those over 80 quadrupled.

The report describing this curious mixture of Penny Bank,

Friendly Society, and Charity was studied among others by the Rev. Joseph Smith of Wendover. He had a scattered parish and did not see how he could persuade the old people to meet in each other's houses. But the idea of the saving of the pennies appealed to him. Many of his congregation were in distress during the winter. Why should they not bring pennies to church on Sundays during the summer on the understanding that they would be returned at Christmas increased by one-third, 'to enable them to purchase a warm garment, half a load of wood or any other domestic comfort they may want at the most inclement season'? Some might think this savoured too much of transacting business on the Sabbath. He would answer them with Paul's advice to the Church at Corinth. 'Upon the first day of the week let every one of you lay by him in store, as God hath prospered them.' So he set the local schoolchildren to copy out his proposals, offering them 'a trifling gratuity', and started his little Sunday Penny Bank in 1799. The Christmas bonuses were supplied by himself and two of the wealthier members of his congregation, Mr. T. Lovell and Mr. F. P. Bingham. During the first season sixty parishioners brought their weekly sixpences and shillings with great regularity, and Mr. Smith had an encouraging account to give of his venture in Report No. LIX of Sir Thomas Bernard's Society.

The Wendover Bank, which only survived for a few years, is interesting for its early date and for the encouragement it gave to other 'Sunday Banks'. The most noteworthy of them was at Hertford, where a most energetic and able Minister, the Rev. Thomas Lloyd, began operations about 1808. He collected over £300 a year in small sums after service on Sundays and paid it back to the hundred or so depositors on New Year's Day with interest at 12 per cent. derived from charitable sources. There were similar Sunday banks at Tewin and Hartingfordbury. The Hertford Sunday Bank was overshadowed in 1816 by a proper savings bank also sponsored by Mr. Lloyd but with the weighty support of the Marquess of Salisbury as patron and a body of trustees including ten peers and three Members of Parliament. Mr. Lloyd's experience and opinions were so much regarded that he was called upon to give evidence before the Select Committee of the House of Lords on the Poor Law which reported in 1817. 'Do you conceive', he was asked, 'the estab-

lishment of the Savings Bank has been already productive of advantage?' Advantage, indeed! This clerical pioneer had no patience with such an understatement. 'Indeed, I think, infinite, and I believe it will be the salvation of the Country if they are established generally.'

The Sunday banks were showing the general trend of thought but they were largely dependent on charity and they were by their nature confined to churchgoers. They were more akin to the Clothing and Share-out Societies which were beginning to be organized on a semi-charitable basis in many villages and towns. Mrs. Priscilla Wakefield of Tottenham thought on broader lines. She was probably the first to conceive of a savings bank with free facilities for deposit and withdrawal, open to all people of small means.

She seems to have been a remarkable woman. She wrote much on the subject of the improvement of the people, particularly the young. But she also had an eminently practical mind and the capacity for getting things done. Like many of her fellows in the Society of Friends (she was a lineal descendant of William Penn), Mrs. Wakefield had a burning passion for social work. She was one of the founders in 1791 of a Charity for the Relief of Lying-in Women and Sick Persons at Tottenham High Cross. In 1798 she started a Female Benefit Club which offered subscribers small pensions after the age of 65. To this she attached a Loans Fund, financed by certain honorary members, and a Children's Bank. The latter was undoubtedly the first Penny Bank for children. Children under 20, whether directly connected with members of the Club or not, were invited to bring their pennies to the Club monthly. Mrs. Wakefield took charge of the money and paid it back when needed for apprenticeship fees, clothes for service, or other good objects. The total amount in her hands never much exceeded £30 but the little bank was clearly meeting a need. After two or three years of experience Mrs. Wakefield decided that a thrift experiment on a wider scale was worth trying.

'From observing that many of the poor, particularly servants, either squandered away their savings or lent them to those less prudent than themselves, from the want of a convenient opportunity of placing them where they would be secure, it occurred to me that an association might be formed which would afford them complete

safety, in their own neighbourhood, by the guarantee of a few respectable persons of property.'

So the Tottenham Benefit Bank was opened on 1 January 1804 to receive the savings of all and sundry. The Children's Bank remained as a feeder to the new institution, deposits being transferred when they reached 20*s*. The Benefit Bank was open on the first Monday of each month. Any sum from a shilling upwards could be deposited and would be repaid on demand. Interest at 5 per cent. was allowed on every complete pound. This admirably simple plan had so much in common with the savings banks of the later nineteenth century that Mrs. Wakefield fully deserves the credit for starting the first savings bank. It was not, however, entirely self-supporting, though the charitable element was far less marked than in the Wendover Bank. The 'respectable persons of property' who were behind it doubtless had to put their hands into their pockets to provide the interest and management expenses in early years. The expenses were small enough. A ledger and cash book, the printing of a few receipt forms and rules sufficed, for the work was conducted voluntarily by Mrs. Wakefield and her colleague and successor, Mrs. Powell. The first trustees were Mr. Sperling, 'a very benevolent gentleman resident in the parish at that time', and Mr. Eardley Wilmot, M.P. Presumably they banked or invested the money as they thought best. It seems that after a time most of it was used to buy the Government 'five per cents' which must have provided nearly enough income to pay the interest on the deposits. But it was not every place which could find such benevolent guarantors. Further thought was needed before a scheme of general application was worked out.

Mrs. Wakefield left Tottenham a few years after she had started the bank. She survived till 1832 when she had reached the ripe age of 83 and had seen wonderful progress in the establishment of savings banks. She can fairly be regarded as the originator of savings banks without disputing the title of the dynamic Dr. Henry Duncan to be the real father of the savings bank movement. Her son, Edward Wakefield, writing in 1845, claimed that she conducted a sort of private savings bank from 1790, long before the benefit bank was established. He also suggested that she encouraged Mr. Smith of Wendover to start his Sunday bank during a visit to a relative in his parish. There

is incontestable evidence that the circulation of an account of the Tottenham experiment in Report LXXXIV of the Society for Bettering the Condition of the Poor had a considerable influence, particularly with the Rt. Hon. George Rose in starting the Southampton Savings Bank and with the founders of the Edinburgh Savings Bank. It may be, as Mr. Edward Wakefield thought, that through his mother's near relatives living in Bath she may have indirectly inspired an early thrift experiment there.

This was a savings bank for domestic servants, started in 1808. The prime mover was Lady Isabella Douglas, sister of the Earl of Selkirk. She was assisted by John S. Duncan, a writer on social questions. Servants were invited to deposit their savings, not exceeding £50, at 4 per cent. interest, relying on the private security of four ladies and four gentlemen of substance. In order that their liability might be limited it was stipulated that the Fund must not exceed £2,000. It seems that this amount was fully subscribed. An attempt to extend the size of the Society in 1813 failed, however, and two years later it was superseded by the Bath Provident Institution of which further mention will be made later.

But before the rapid developments between 1810 and 1817 are explained, it is only right that a word should be said of those who were supporting the theory of savings banks in the preceding years by their writings. These included two of the literary giants of the time—Jeremy Bentham and T. R. Malthus. They had such a wide public that their influence must have been considerable, though their actual proposals were less productive than those of the humbler men and women who started the movement.

Jeremy Bentham was probably the most brilliant thinker of his time. It has been said that to trace the results of his teaching in England alone would be to write a history of the legislation of half a century. Like Adam Smith he was a great believer in the individual. The greatest happiness of the greatest number would come not through legislative interference but through the enlightened self-interest of the citizens themselves. Institutions must be judged by their utility and the extent to which they contributed to human happiness. If they did not pass the test they should be scrapped. It was therefore significant that

he saw the need for new institutions of the nature of savings banks. When at the height of his powers in 1797, he jotted down the outline of a complete scheme for the improvement of pauper management in the form of a letter addressed to Mr. Arthur Young, the Editor of the *Annals of Agriculture.*

The main body of the 'burdensome poor' were to be maintained and employed in Industry Houses under the supervision of a 'National Charity Company' formed on joint-stock principles. At these Houses of Industry 'Frugality Banks' were to be conducted for the receipt of small savings. If no Industry House was near, the Church Vestry might serve as the bank.

Any sum could be paid in and each pound would entitle the depositor to an annuity of a specified amount varying according to the selected age. His right to the annuity could be sold at a valuation or exchanged for annuities for his wife or children under age; he was even to be allowed to borrow on it during unemployment or sickness.

With the logical mind of the trained lawyer and with some of his obscurity of expression Bentham surveyed existing deficiencies in the facilities for thrift. The poor suffered from:

'1. The want of physical means of safe custody.

'2. The difficulty of opposing a never yielding resistance to the temptations afforded by the instruments of sensual enjoyment, where the means of purchasing them are constantly at hand.

'3. The want of the means of obtaining an equivalent, especially on safe terms, for the use of such small sums, either in the shape of interest or in the shape of a supply adapted to exigencies.

'4. The want of a set of instructions and mementoes constantly at hand presenting to view the several exigencies or sources of demand for money in store, together with an indication of the most eligible means of making provision for the exigency in each case by means of a system of Banks.'

The existing banks would not help because it would not pay them. Friendly societies were too insecure 'through lack of proper calculations, embezzlements and disagreements among members'. Their system was based on minimum subscriptions and did not cater for those who can save more. Besides they met in public houses to encourage thrift, which was 'like choosing a brothel for a school of continence'. He thought his own scheme free from such objection and did not doubt that a young man

under 20 earning 6*s*. a week could afford to put by three-quarters of his earnings. This would not only increase his independence and prospects of advancement but would make a strong appeal to the fair sex. 'A maiden known to have lovers may come to take a pride in the magnitude of their respective sacrifices; and to make a point of honour not to yield her hand till the degree of attachment thus demonstrated has risen to a certain pitch.'

Bentham's article was placed before a Committee of the House of Commons in 1811 and published separately in 1812 and his testimony to the need for some new thrift institution must have been read by a great many thoughtful people. But its public was small compared with that of Malthus's *Essay on the Principle of Population*, first published in 1798 and amplified in 1805. This best-seller profoundly influenced the thought of the time. The country parson of simple habits and exemplary life found himself, to his surprise, the sensation of the day. The fear that population was going to outstrip the means of supporting it became widespread. Malthus, like Bentham, had been impressed with the urgent need for doing something to check the growing pauperization of the community. The Poor Laws tended to increase the population without increasing the means for its support. Taken by themselves some of his conclusions seemed hard. 'Were every man sure of a comfortable provision for his family, almost every man would have one; and were the rising generation free from the "killing frost" of misery, population must increase with unusual rapidity.' Some of his followers concluded that to help the poor would only hasten the collapse of civilization by making them breed more rapidly. If they were helped to save in their youth they would be in a position to furnish a house earlier; they would marry earlier; they would have still more children. The natural restrictions to the growth of population—poverty, disease, unhealthy conditions—would be removed. Therefore do nothing and let only the fittest survive.

These were not the views of the kind-hearted Malthus. He may have been an alarmist but he was not an obscurantist. It was true that 'we cannot, in the nature of things, assist the poor without enabling them to rear up to manhood a greater number of their children'. But 'in a public view, every child that dies

under ten years of age is a loss to the nation of all that had been expended in subsistence till that period'. Paradoxically 'a decrease of mortality at all ages' is what this preacher of over-population made his declared aim. The solution was 'to get the young people to defer marriage until they had a fair prospect of being able to maintain families', to give them better education, and better housing. In this way alone could one effect permanent improvement in the condition of the people. He would welcome the spread of luxuries to the masses. Those who showed 'prudential restraint' and thrifty habits should therefore be encouraged. If for instance they saved enough to buy a cow, they might be helped to acquire the necessary land on which to keep it. They should also be encouraged in the initial saving. The Poor Laws diminished both the power and the will to save and tended to eradicate the spirit of independence among the peasantry. He suggested a remedy:

> 'To facilitate the saving of small sums of money and encourage young labourers to economise their earnings with a view to a provision for marriage it might be extremely useful to have country banks, where the smallest sums would be received and a fair interest paid for them. It would probably be essential to the success of any plan of this kind that the labourer should be able to draw out this money whenever he wanted it and have the most perfect liberty of disposing of it in every respect as he pleased. Though we may regret that money so hardly earned should sometimes be spent to little purpose—yet it seems to be a case in which we have no right to interfere; nor if we had, would it in a general view be advantageous; because the knowledge of possessing this liberty would be of more use in encouraging the practice of saving, than any restriction of it, in preventing the misuse of money so saved.'

This common-sense declaration entitles Malthus also to a place among the early supporters of the movement of savings banks. He lived to see them started and to commend them.[1]

In St. Margaret's Church, Westminster, there is a monument to a contemporary of Malthus who was as well known in his day as the economist; one whose accomplishments were indeed far greater but whose name is little remembered to-day. Patrick Colquhoun, a native of Dumbarton, began by taking Glasgow

[1] See mention of his name in Dr. Haygarth's *Explanation of the Principles and Proceedings of the Provident Institution and Bank for Savings 1816.*

by storm. He became Lord Provost of the City in 1782 at the age of 37 as a recognition of his labours in London to focus attention on the claims of Scottish industries. He founded the Glasgow Chamber of Commerce and has indeed been described by one writer as the 'father of Glasgow'. He also found time in these early years to give help to the Lancashire cotton industry. Having exhausted the north, he descended again on London in 1789. It was not long before he was made a magistrate and from the early nineties he devoted himself to propounding and putting into practice various well-conceived schemes for improving the condition of the poor and reducing crime.

He started a society for enabling the poor to redeem goods which had been pawned through unavoidable misfortune; founded the first London soup kitchen; brought about various important reforms in the police system of the Metropolis and originated the marine police; carried out an experiment in cheap elementary education, advocated the pooling of rates and an organized system of relief. Indeed a catalogue of his plans and achievements would take us far outside the scope of this history. In 1806 he summed up his conclusions on the question of poverty and social reform in a *Treatise on Indigence* of over 300 pages. It is worth quoting the title of this long essay in full for the light it throws on its versatile self-confident author:

> 'A Treatise on Indigence, exhibiting a general view of the National Resources for Productive Labour, with Propositions for ameliorating the Condition of the Poor and Improving the Moral Habits and increasing the Comforts of the Labouring People, particularly the Rising Generation, by Regulations of Political Economy calculated to prevent Poverty from descending into Indigence. To produce Sobriety and Industry, to reduce the Parochial Rates of the Kingdom and generally to promote the Happiness and Security of the Community at large by the Diminution of moral and penal offences and the future Prevention of Crimes.
>
> Vincit amor patriae'

He sets out to discuss how 'to prop up poverty by judicious arrangements at those critical periods when it is in danger of descending into indigence'. He can find only eight innocent causes of indigence but no less than twenty-six culpable causes. A study of instances of remedial indigence leads him naturally

to stress the importance of provident habits. As a Scot he does not doubt that 'the more frugal habits which prevail in the Northern Counties, joined to a superior knowledge of the culinary art, enable the cottagers to live better and to enjoy the comforts arising from a greater variety of food than their southern fellow subjects receive'. The poor must be taught to help themselves from their own resources. Their biggest attempt to do so had been through friendly societies of which in 1803 there were 9,672 with 704,350 members. But it is estimated that 10 per cent. of the members' contributions went in fines and drink. There were too frequent meetings—his passion for statistics led him to work out a figure of 164,424 as the number of meetings in public houses in a year. There was too much encouragement of expensive funerals to the enrichment of undertakers, mercers, and milliners. And there was usually no appeal which the aggrieved member could bring against the unfavourable decision of the committee. The security of the funds was often open to doubt.

What was wanted was to 'establish a system that shall not only convince the poor that they have a stake in the country as well as the rich, but that the Government and the legislature will place that stake on so secure and respectable a footing that they may look up to it with certainty as a relief in times of sickness and a prop to old age'. In other words a sort of National Savings Bank and Friendly Society combined. The basis of the scheme was the institution of Receipt Offices and Pay Offices in each parish or group of parishes under the supervision of local committees of from five to nine persons acquainted with accounts and a secretary. Monthly contributions of from 1*s.* to 10*s.* were to be solicited from all labouring people between the ages of 20 and 60, those over 30 having to pay more. The parochial societies would pay in their funds to a National Deposit Bank in London. Funds so paid in would be guaranteed by the Government, and the Directors of the National Bank would be appointed by the king, as father of his people. Out of this fund the contributors would be entitled to assistance, after investigation of their claims locally—a weekly allowance during sickness or incapacity, a small allowance on the birth of a child, a payment on death together with a small allowance to the widow, or a sum to enable her to carry on a business, compensation for loss

PATRICK COLQUHOUN, LL.D., 1745–1820

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by fire or the loss of a cow or house on which a family was partly dependent, a sum for apprenticing a child, and a small annuity to the aged and infirm.

This is the bare outline of a plan worked out in great detail. It was to be voluntary but Colquhoun thought it would attract two million members at least.

'The poor man will thus have his bank, as well as the rich, and it may possibly become a reproach and degradation in the walks of vulgar life not to belong to it. . . . Here the poor man will look to his bank with the pleasing satisfaction of knowing that he possesses a little in reserve, well secured for himself, his wife and his children. He will strive in the course of his industry to make that little more. His children, when they begin to earn money, will follow his good example by becoming members as soon as they can be admitted. The whole of those who have entitled themselves to these benefits will look up to the Government and the bank as guardian angels by whose wise regulations and regard to their welfare they are shielded from the dread of misery and want.'

It is a little ironical that this outspoken individualist, leader of commerce and supporter of the Government, also helped to mould the views of the early Socialists.[1] His *Treatise of the Wealth, Power and Resources of the British Empire*, published in 1814, was an inexhaustible source of information about population and the distribution of wealth from which many conclusions were drawn which would have been unpalatable to its author. Unlike most of his other schemes, the National Deposit Bank was never submitted to the test of experiment. But, as his epitaph says, 'his mind was as bold and persevering in execution as it was fertile in conception', and he had the opportunity in 1816 to try out some of his views on thrift as one of the founders of the Provident Institution for Saving in the Western Part of the Metropolis which later became known as the St. Martin's Place Savings Bank. He richly deserves a prominent place among the pioneers of savings banks.

A rather similar scheme of a slightly later date was elaborated by Mr. John Christian Curwen, M.P. In spite of the doubts he later expressed about the adequacy of savings banks to mitigate the difficulties of the times,[2] he was not opposed to their establishment. But he had his own more ambitious project, which

[1] M. Beer, *History of British Socialism*. [2] See p. 1.

was explained to the House of Commons on 28 May 1816, on a motion for taking into consideration the state of the Poor Laws. This was to start a Savings Fund to which every individual in work should contribute 'for the relief of sickness, age or misfortune, for the encouragement of industry and good morals, for a general plan of education and such other objects as might be conducive to the comfort and happiness of the labouring classes'. He estimated that if these contributions were at the rate of twelve pence per family per week, a yearly income of £4,214,445 would be assured. To this he would add contributions of 4*s*. per week from those 'supporting themselves independently by trade or income' and larger contributions on a fixed scale from families of the 'privileged orders'. This would add nearly £3 millions to the Fund and a further £2 millions would be raised by a levy of a penny per head on persons employing workmen and property owners. It was, in fact, to be a huge national insurance fund, to be administered by a central and parish committees elected from the labouring classes, employers, and representatives of the landed gentry. It was altogether too ambitious a plan for the time and, although it attracted some attention, never received enough support to make it a serious proposition. Mr. Curwen's attitude to savings banks, when they began to make progress in 1817, is shown by a quotation from a later speech in the House of Commons on 21 March 1817 in which he modified his original proposals.

> 'My plan may possibly arouse some jealousy in the breast of those who patronise the system of Savings Banks. That the establishment of Savings Banks is likely to be productive of much good will not be questioned, but as a remedy it appears to me to go beyond all fair and rational expectation. That the savings which could reasonably be expected from individuals in humble life could ever be made adequate to the wants of themselves and their families in all cases can by no means be expected.'

This was a reasonable enough criticism and there was no wide gulf between the promoters of savings banks and this earnest employer of labour and Member of Parliament, who proclaimed that 'to restore independence of mind to the labouring classes is an indispensable ingredient in any plan for bettering their situation'. To the labourers of 1816, however, his conviction that 'moral happiness dwells in the mind; philosophic happiness

consists in wanting little; worldly or vulgar happiness is to want and enjoy much' was cold comfort.

A more obscure and eccentric figure deserves mention because it was the perusal of his writings which first stimulated Dr. Henry Duncan to activity. Little is known of John Bone beyond the few pamphlets written by him between 1805 and 1807. In the course of an open letter to the Rt. Hon. George Rose, M.P., who had published observations on the Poor Laws, he stressed the need for distinguishing between the industrious and frugal who come to poverty by age or misfortune and the idle and dissolute who are reduced to poverty by their own vices. This led him to suggest 'that a Bank should be opened to receive the small savings or earnings of the youth of both sexes who have no dependence but their labour and economy, and to return them on the day of their marriage with the interest and premiums proportioned to the amount'.

He elaborated his views in a pamphlet with the strange title 'The Principles and Regulation of Tranquillity; an institution commenced in the Metropolis for encouraging and enabling industrious and prudent individuals in the various classes of the community to provide for themselves and thus effecting the gradual abolition of the Poor's Rate whilst it increases the comforts of the Poor'. The elaborate scheme set out in CXV Articles is now only a curiosity. There was to be a retreat for the aged and infirm and annuities financed by members' entrance fees and contributions supplemented by charitable donations. He seems actually to have started the institution with an office at the Horn Tavern, Doctors' Commons, and later in Blackfriars Road. It would be interesting to know how long it survived and whether the 'Juvenile Fund' which was a prominent part of the scheme ever had any depositors. If so, the depositors must have been trusting people, for he only undertook to repay them on marriage a sum allocated by the Court of Directors 'without entering into minute and troublesome calculations of interest which the small sums so deposited might occasion'. It may be that Bone's experiment was a more important one than would seem likely from his writing. It was probably too complicated and ambitious to make a general appeal. But his part in the establishment of savings banks has never been sufficiently recognized, unless it were by Joseph

Hume who wrote in 1816: 'It is to John Bone the reviewers ought to have paid their tribute of thanks as the person with whom the plan of Savings Banks originated and who put it in practice in 1806.' Mr. Bone dedicated his plan to Samuel Whitbread, M.P. But his patron played him false. Mr. Whitbread produced a Bill on quite different principles for dealing with the Poor Law. Mr. Bone's last literary effort was a protest against the Whitbread scheme.[1] It was a case of Bone's People's Bank against Whitbread's Poor's Fund. Nothing came of either.

Samuel Whitbread's scheme deserves more than passing reference, however, because he was the first person to conceive of a savings bank being conducted through the machinery of the Post Office. Whitbread, who had given up brewing for politics, was the prototype of the nonconformist radicals of a later day whose constant efforts to improve working class conditions were often a long way ahead of public opinion. He was a constant speaker in the House of Commons, kept a vigilant eye for any abuses of public administration, and was, indeed, a thorn in the flesh of the Pittites. This was not a very promising reputation with which to submit serious legislative reforms and probably his Poor Law Amendment Bill, introduced into the Commons in February 1807, never had the attention it deserved. He sensed the opinion of the House and let his proposals drop.

Some of Samuel Whitbread's schemes were certainly fantastic, such as his proposal to distinguish between the deserving and undeserving poor by the wearing of badges. But in many ways he showed considerable vision and his views on some questions were considerably in advance of his time. He favoured compulsory and free education over half a century before the proposals had many supporters in Parliament. He advocated a minimum wage in agriculture. His Post Office Savings Bank scheme was probably the best and most original of the many schemes which preceded the starting of savings banks. Though it came to nothing at the time, he deserves to be remembered as one of the powerful influences then moving in the direction taken by George Rose and other of his political opponents soon after his death. Wilberforce, who could not tolerate this violent and persistent critic of his friend Pitt nor forget Whitbread's association with the brewing industry, unkindly remarked that 'he

[1] *The Friend of the People*, 1807.

spoke as if he had a pot of porter to his lips and all his words came through it'. A juster verdict was that of Romilly, who described him as 'the promoter of every liberal scheme for improving the condition of mankind, the zealous advocate of the oppressed and the undaunted opposer of every species of corruption and ill-administration'.

It is remarkable to read the text of a Bill, submitted to Parliament fifty-four years before the Post Office Savings Bank Bill of 1861, which anticipated so clearly the basis of Mr. Gladstone's scheme. People were to be invited to deposit sums not exceeding £20 a year or £200 in all. Money so received would be remitted by the Post Office to the 'Poor's Fund', administered in London by Commissioners appointed by the Crown. The funds would be invested by the Commissioners in government stock. Withdrawals could be effected at short notice. One of the chief differences from 1861 procedure was that depositors were to be credited with stock in respect of the sums remitted and were to receive back the value of the stock at the time of sale, plus any accumulated dividends, a procedure which was, in fact, adopted by some of the English savings banks before 1817. The depositor was to pay the Postmaster a penny in the pound on deposits. Other expenses were to be defrayed from surplus due to unclaimed dividends or direct from the Consolidated Fund. The Poor's Assurance Office, which was to be combined with the Poor's Fund, was to permit life assurances not exceeding £200 to be taken out through a Central Assurance Office on a proper actuarial basis.

By this time the country was ready for a practical plan, but it preferred to test out the savings bank idea in a smaller way on a local and voluntary basis before going in for a huge national scheme on Whitbread's plan. In 1809, on the eve of the rapid developments mentioned in the following chapter, two other tracts appeared which again showed the trend of thought. Horace Twiss, a barrister, who later wrote a *Life of Lord Eldon*, a drama, and various suggestions for improving the laws of the country, published some thoughts on the subject of population in which he suggested the establishment of Savings Associations among the poor. The deposits were to be invested in the Funds. Interest at 3 per cent. was to be allowed on sums of £1. 13*s*. 4*d*. and over, the surplus to be used for expenses. Mr. Twiss became

one of the first trustees of the Provident Institution for Savings, established at Panton Street, Haymarket, in 1816, though he was better known to the public as a favoured nephew of the great Mrs. Siddons.

The writer of the other tract was a doctor. Dr. Joseph Adams was primarily concerned with an 'Inquiry into the Laws of Different Epidemic diseases'. Like Dr. Haygarth, who started the Bath Provident Institution, he was a pioneer of vaccination and, like Dr. Haygarth, he concluded that the extermination of infectious diseases depended largely on the improvement of the conditions under which the labouring classes lived. It was a short step from this to the need for thrift, for he had no thought of a benevolent State relieving the individual of responsibility for that improvement. He would have a bank established to receive the smallest weekly contributions. Interest would be at 5 per cent., credited half-yearly. Each depositor would be given a pass-book. All the funds would be banked with the Bank of England which would allow compound interest *weekly* on the lowest balance of the preceding week. Further to strengthen the establishment, one hundred gentlemen of property should deposit £1,000 each with liberty to withdraw half the amount. The Bank of England were to console themselves for the trouble and expense by the knowledge of the service they were rendering to the community and the increased interest and support they might expect to gain from the general public.

The campaign of words was not ended when the real action began.

Yours very truly
Henry Duncan D.D.

REV. HENRY DUNCAN, D.D., of Ruthwell;
born 8 October 1774; died 12 February 1846
The 'Father of Savings Banks'

Chapter III

DR. DUNCAN OF RUTHWELL AND THE BEGINNING OF SAVINGS BANKS IN SCOTLAND

IN the parish church of Ruthwell in Dumfriesshire there is a brass tablet to its former minister, the Rev. Henry Duncan, D.D., in which he is referred to as the 'father of Savings Banks'.

Dr. Duncan's claim to be regarded as the founder of the savings banks movement was disputed in his lifetime and has often since been the subject of controversy. For it was not only the protagonists of Mrs. Priscilla Wakefield and the Rev. Joseph Smith with whom he had to contend, but the claims even more strenuously put forward by the founders of the first Edinburgh Savings Bank.

The verdict of the *Quarterly Review*, which carefully and impartially considered the evidence in 1817, has now been generally accepted and the official centenary of savings banks was held in Edinburgh in 1910, a hundred years after the founding by Dr. Duncan of the Ruthwell Savings Bank.

'It is a belief', wrote the reviewer, 'founded on no slight investigation, that but for the Rev. Mr. Duncan, there would at this time be found only a few insulated establishments for the savings of industry, of which the intelligent and wealthy would have had little knowledge and from which the lower classes in general would have derived no advantage.'

And again:

'We are warranted on the whole to conclude that, though some institutions, similar both in principles and details, had been formed before the Parish Bank of Ruthwell, yet it was the first of the kind which was regularly and minutely organised and brought before the public; and further, that as that society gave the impulse which is fast spreading through the Kingdom, it is in all fairness entitled to the appellation of the *Parent Society*. If we spoke of the *original Society*, we should from our present knowledge be disposed to confer that name on the Charitable Bank at Tottenham [Priscilla Wakefield's].'

The Ruthwell Savings Bank was not even the original savings bank in Scotland. It was preceded by three years by a small savings bank started at West Calder in Midlothian. The parish

minister, the Rev. John Muckersy, who since the beginning of the century had been acting as a sort of private banker and adviser to a number of young gentlemen who received their education in his family, decided to open the West Calder Friendly Bank in 1807. This bank was only open once a quarter at the same time and place as the local friendly society. The minimum quarterly deposit was half a crown and the depositors received 1*d.* of interest each half-year for every 5*s.* deposited. Those who failed to deposit regularly were punished by loss of part of their interest. Those who subscribed regularly for twelve months on the other hand might receive a bonus, if the funds permitted. The money was lodged with two Edinburgh banks which allowed 4 per cent., compounded half-yearly. After about ten years this little bank had thirty-five subscribers and just over £400 of deposits. Mr. Muckersy never made any extravagant claims for his institution. He recognized that it would have remained an 'insulated establishment' but for the exertions of Dr. Duncan who did not even know of its existence when he started his savings bank at Ruthwell. With a fine generosity Mr. Muckersy supported the claims of Dr. Duncan's bank to be the parent institution, 'inasmuch as great exertion is of more importance than priority of date'.

The savings bank movement could hardly have had a worthier or more interesting founder. Henry Duncan was a son of the manse, born in 1774 at Lochrutton, Kirkcudbright. He was educated at Dumfries Academy and at no fewer than three Scottish Universities. After a period at St. Andrew's University, where he was sent at the early age of 14, he was found an opening in Heywood's Bank at Liverpool. He seems to have shown few signs of making a good banker, was careless and displayed a 'distressing want of ambition'. So after three years he persuaded his parents to let him go to Edinburgh University with the definite purpose of entering the ministry. He spent three years at Edinburgh and two at Glasgow University, both of which were still strongly impregnated with the Adam Smith tradition of sturdy individualism. He was already seething with ideas on social questions and his kindly nature tempered the harshness of the *laisser-faire* school without destroying its encouraging view of the greatness of the individual when left to work out his own salvation.

It is easy to see how his years in England may have contributed to his later activities—the knowledge acquired of the elements of banking, the experience of English social conditions and the English Poor Law. He had not as yet felt any certainty that he was cut out to be a Minister of the Scottish Church, but he wanted time to adjust his ideas, to think and to write.

When his training was complete and after a short period as tutor to the sons of Colonel Erskine of Mar, he found himself offered a choice of churches—Lochmaben and Ruthwell. He chose the smaller and poorer parish. This was but another example of his 'distressing lack of ambition', for neither then nor later did his own financial position or prospect of advancement influence his decisions in the least. 'My disposition', he wrote to his father, 'gives me no relish for more money than will support myself, or be useful to my friends.' At Ruthwell, even though his stipend would at first be less than £100 a year, he would have opportunity to experiment, to test his theories, to put his thoughts and conclusions into writing.

Henry Duncan does not seem to have engaged in literary activities until about 1808, some nine years after he went to Ruthwell. He then started to publish a series of tracts for the people, known as the Scotch Cheap Repository, a form of homiletic appeal which later became extremely popular and of which he may fairly claim to have been one of the pioneers. One series of these tracts, *The Cottage Fireside or Parish Schoolmaster*, had an immediate success. In 1809 he founded and became the first editor of the *Dumfries and Galloway Courier*, through the medium of which he was able to propagate many of his ideas and thoughts.

One thought seems to have been paramount with him in these early years. Independence of character was God's greatest gift to man. Every new scheme and every existing institution must be judged by this yardstick—did it contribute to the making of independent men and women?

The voluntary system of poor relief operating through most of Scotland was creaking under the strain of bad times. Men's wages in good seasons rarely exceeded 8*s*. or 9*s*. a week and, when difficulties arose, the families had to trust to the generosity of relatives or the meagre resources of the special church-door collections which in Ruthwell seldom exceeded £25 a year. It

is no wonder that many began to demand a legal system of relief based on the poor rate such as was general in England. Not so the parish minister of Ruthwell. He was convinced that such a system would destroy the independence of the Scottish people. It would lessen the incentive to work, loosen family ties, and sap initiative and vigour. Work and thrift were the solutions of the problem of poverty. His church funds would barely support the destitute aged and infirm. The able-bodied must seek their own salvation. If they were thrown out of work, he would find work for them as far as possible, draining the glebe land or spinning flax. When in work they ought to set aside something for the 'rainy day'.

Where were they to put their savings? There was a local friendly society, founded in 1796. It was in a poor way both as regards members and funds but could be revived. Mr. Duncan proceeded to revive it. It would at least give its members some help during sickness and a decent and (he hoped) simple burial. But something more was needed.

'Friendly Societies,' he wrote later, 'excellent as they are, do not supply to the lower classes facilities for bettering their pecuniary condition adequate to their circumstances. They provide a desirable resource in sickness and old age, but they do not accommodate themselves so much as could be wished to the varying situation and abilities of their members.'

It was true that the labourer could

'lay up his superfluous earnings in his chest till it should amount to a sufficient sum to lend out at interest; but those who know anything of the situation and habits of the lower orders will readily be aware of the temptations and discouragements to which such a plan is necessarily subjected and will not be surprised that it has seldom been resorted to and still more seldom persevered in. The temptation to break in upon the little stock on every emergency might be too strong to resist. At all events the progressive addition of interest would be lost during the period of accumulation and it has even frequently happened that the chest of the servant or labourer when thus converted into his exchequer has not been safe from depredation, while the feeling of insecurity which the danger of such a calamity must inspire could not fail to operate as a fatal check to habits of economy. A similar effect must have resulted from the frequent instances which occur of the failure or knavery of those adventurers

RUTHWELL MANSE

to whose hands the unwary are induced by the facilities which are offered and the allurement that is held out of superior interest to entrust the savings of their industry.'

The result was the forming of extravagant habits.

'It is distressing to think how much money is thrown away by young women on dress unsuitable to their station and by young men on the debauchery of the alehouse and in other extravagant and demoralising practices for no other reason than that no safe place is open to them for laying up their superfluous earnings.'

What was the remedy? The answer dawned on him as he read Mr. John Bone's pamphlet *Tranquillity*, to which reference was made in the last chapter. He seized eagerly on the notion of a bank for small savings which John Bone propounded. Savings banks in every parish would restore the independence of the Scottish people. The idea rapidly developed into a definite scheme which he hastened to give to the world through the columns of the *Dumfries Courier*. He knew well enough that little notice would be taken of it if he did not show that his theories could successfully be put into practice. The only way to do this was to start a savings bank in his own parish. If a savings bank could flourish in Ruthwell, it could flourish anywhere. Where could a parish be found with more poverty, with fewer resident heritors to help such a cause, with less scope for spectacular results? It was, perhaps, fortunate for the development of the savings bank movement that Dr. Duncan carried out his experiment in a country parish and not in a big city; had it been otherwise it is very unlikely that its spread would have been so quick and so general.

The Ruthwell Savings Bank opened in May 1810 in the simple lime-washed stone cottage which still stands in the village. It had an elaborate constitution. 'The Bank of England', dryly commented a writer in the *Edinburgh Review*, 'to be sure has not so magnificent a constitution, but the Bank of England has not half so much to do!' First there were to be Ordinary Members who were the depositors and had certain rights after six months, provided they had deposited not less than £1. Then there were Extraordinary Members who subscribed a minimum of 5*s*. a year or made a donation of £2 to the Management Fund. Finally there were the Honorary

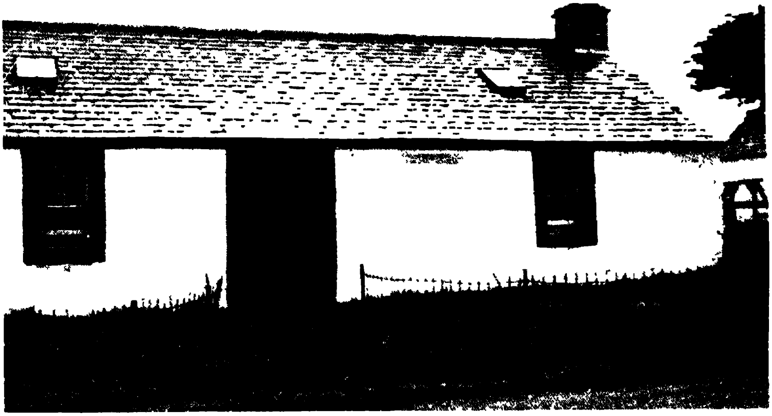
Members, who included *ex officio* the Lord Lieutenant, Vice-Lieutenant, Sheriff, and local Members of Parliament, together with subscribers of a guinea a year and donors of £5.

The general business was carried out by a Court of Directors composed of a governor, five directors, a treasurer, and one or more trustees. They were to be chosen 'promiscuously' by the members in General Meeting from the Honorary and Extraordinary Members, provided sufficient of these could be found; if not, the Ordinary Members might fill the gap. But the Court of Directors was subordinate to a Standing Committee of fifteen persons, chosen in the same way, which met quarterly to review and control the Court of Directors, with power to reverse its decisions. Perhaps there was not much in this, for the directors formed part of the Standing Committee and could ensure a majority at its meetings. The decisions of the Standing Committee were not, however, final, for the Annual General Meeting could reverse them. The Annual Meeting was the supreme law-making body and court of appeal and consisted of all the qualified members of all the classes.

This elaborate and democratic structure was clearly drawn up on the analogy of friendly societies. Intentionally so, for Dr. Duncan wished his savings bank to secure some of the privileges afforded to mutual institutions by Rose's Friendly Societies Act of 1793. He had doubts from the beginning whether he could properly bring his savings bank within the terms of that Act, and he seems to have sensed thus early the need for securing special legislative protection. The earliest regulations of the Ruthwell Savings Bank placed it under the Friendly Societies Act, only 'until a new Act of Parliament be obtained, expressly designed for the encouragement of Banks for Savings in Scotland'.

If the structure was over-elaborate, some of the provisions for deposit and withdrawal were even more so. Deposits were received from 1*s*. to £10 and interest was allowed on complete pounds. But Dr. Duncan, like Mr. Muckersy, still under the influence of the friendly society procedure, thought it advisable to spur the lazy depositor with threats of penalties. Those who did not contribute 4*s*. a year were to forfeit 1*s*., for 'what we have no pressing motive to do at a particular time, we are apt to delay till it is beyond our power to do it at all'. The interest

THE FIRST SAVINGS BANK
Founded by the Rev. Henry Duncan, Ruthwell, Scotland, 1810



THE RUTHWELL SAVINGS BANK (DUMFRIESSHIRE)
(*Photo. 1939*)

was graded from the same motive. Four per cent. became 5 per cent. after three years' membership, and bonuses were to be given to regular contributors of not less than 1*s.* a week—6*d.* the first year, 1*s.* the second, 2*s.* the third, 4*s.* the fourth, and 6*s.* each subsequent year. If the funds allowed, further bonuses would be given to depositors who had 'exhibited proofs of superior industry and virtue'.

As another inducement to regular saving, the depositor was handed a sheet on one side of which were ruled squares for every week of the year. The deposits were entered against the appropriate weeks and it was considered discreditable to have too many blank spaces. 'Oh, how tempting this ticket is,' said a labourer to the Minister one day. 'I cannot bear to see any of the *lozens* unfilled up. It is as uncomfortable as a window without glass.'

Withdrawals were also hemmed round with restrictions. The depositor could indeed withdraw the money at any time with interest at 4 per cent. But the full rate of 5 per cent. was only payable on withdrawal of £5 and over (1) on the death or emigration of the depositor, (2) on marriage, (3) after the age of 56 had been reached, (4) if the possession of the money seemed to the directors, after due inquiry, to be advantageous to the depositor or his family, (5) when the depositor had become incapable of maintaining himself from sickness or otherwise, in which case a weekly allowance might be made to him.

The generous rate of interest was made possible by the co-operation of the British Linen Company which paid 5 per cent. on the funds of the savings bank banked with it. As some of the depositors only received 4 per cent. and no interest was credited on sums of less than £1, there was a small surplus. This went, along with voluntary contributions, into the Auxiliary Fund for the payment of management expenses and the various bonuses and benefits for which, on paper at least, the most thrifty and virtuous might qualify.

It is easy to pour ridicule on the paternal nature of the Ruthwell Regulations. It was done at the time. Dr. Duncan was so concerned for the moral progress of his parishioners and so convinced of the character-forming powers of thrift that he saw no reason why he should not speed virtue on its way in a more obvious manner than unaided Providence sometimes saw fit to

do. He was soon able to confound his critics with figures. The deposits rose to £151 the first year and then in successive years to £176, £241, and £922. By the end of 1814 they amounted to £1,164. An 'astonishing success', he claimed.

But some severe pruning of superfluous regulations was necessary before savings banks could be expected to show a healthy growth, even in the favourable soil of Scotland. The great contribution of the Edinburgh pioneers was to evolve a savings bank which combined simplicity of structure with soundness of accountancy methods. It was established in December 1813, and opened the following month as a branch of a local Charity known as the 'Society for the Suppression of Beggars', a parentage which seems not unnaturally to have been a handicap in early years. But it was run on business lines. Its chief promoter was Mr. J. H. Forbes, the second son of the well-known banker, Sir William Forbes of Pitsligo. He later became a Lord of Session with the title of Lord Medwyn. Mr. Forbes asserted that the idea of the Edinburgh Bank arose from perusal of one of the Reports of the London Society for Improving the Condition of the Poor. This was, no doubt, how his own attention had been drawn to the subject, though it is equally certain that some of his fellow Directors had read the Ruthwell regulations which had been sent to the Edinburgh Society by Mr. Farquhar Gordon, a Ruthwell heritor. This uncertainty of parentage led to one of the wordiest warfares in the history of savings banks. Mr. Forbes and Henry Duncan fought with vigour and some heat through the medium of open letters and in the columns of the *Quarterly Review* over the claims of their respective savings banks to be the real 'parent institution'. Mr. Forbes contended that the Edinburgh Bank for Savings 'first brought the scheme forward so practically and recommended it so efficiently to public notice as to have ensured the progressive adoption and ultimate success of similar institutions throughout the empire'. He would have been well advised to content himself with this assertion, for Dr. Duncan was prepared to concede that the precise share which each institution had in spreading the movement would 'probably always remain in doubt'. But Mr. Forbes went on to suggest that but for the Edinburgh Bank 'the Ruthwell Bank would, at this moment, have remained almost unheard of, and that the system of Banks for Savings would have

been just as extensively established, had that institution never existed'. This ungenerous reference brought on its author a reply which, though restrained in language, was devastating in effect. The parish minister, if he did not knock out the advocate, chased him round the ring and inflicted such severe punishment that he was clearly the victor on points. The Ruthwell Bank, he pointed out, had been started three and a half years before the Edinburgh Bank. The scheme was explained in the *Dumfries Courier* in May of that year and was brought to the notice of others by correspondence. It was known to many of the Edinburgh Committee when they were discussing their plans for a savings bank in November 1813. A series of papers was published in the *Dumfries Courier* in March 1814, giving details of the Ruthwell plan, many of which were afterwards printed separately. The pamphlets and reports published at the end of 1814 and the beginning of 1815 by Edinburgh and Ruthwell were nearly contemporaneous but Ruthwell's had by far the larger circulation. These and other facts were marshalled one beside another. 'Facts are stubborn things,' wrote Dr. Andrew Thomson. 'My heart is gladdened to see truth victorious; and in that great victory to see the high tory tone of your opponent laid so completely prostrate.'

Ruthwell's victory has rather tended to obscure Edinburgh's contribution to the start of the savings bank movement. The savings banks which were started all over Scotland in 1814 and 1815 were sometimes founded on the Ruthwell model and sometimes on that of Edinburgh. But in the long run it was the simpler Edinburgh model which prevailed. The main differences were that Ruthwell did and Edinburgh did not allow depositors a share in the management; Ruthwell did and Edinburgh did not make inquiries into the morals of the depositors and impose restrictions on withdrawals and fines on the irregular saver. In both respects Edinburgh was proved right. Edinburgh Savings Bank was in fact as like an ordinary bank as the founders could make it. It received sums from 1*s.* upward and repaid them when required with interest at 4 per cent. Interest was paid on each 12*s.* 6*d.* accumulated and was calculated by months. When the deposits reached £10 they would be paid into any banking establishment of the depositor's choice. Four directors, a secretary, and treasurer managed the

affairs of the savings bank. Three persons officiated at the bank at the weekly sessions on Monday morning. One of them entered the deposit or withdrawal on a slip which was handed back to the depositor. The slip, which had the rules on one side, soon developed into a pass-book. A second made the entry in a ledger and the third handled the money and kept the cash-book. The whole procedure was simple, sensible, and convenient. Yet the bank was not outstandingly successful. After five years the funds amounted to £3,249, a disappointing result for the capital city, even if allowance is made for the transference of another £2,000 to Sir William Forbes & Co. on account of those who had reached the £10 limit.

The movement in Scotland was now fairly launched. It was certain that the chartered and joint-stock banks would co-operate and no investment difficulties were therefore to be anticipated. It only remained to see whether sufficient trustees and actuaries could be found to enable it to spread to every district.

The first response was from Alloa, which started a savings bank in September 1814 under the management of one of the Edinburgh directors and, of course, on the Edinburgh model. Soon afterwards the Ruthwell Bank had two children. Dr. Duncan persuaded the Rev. Robert Lundie, his great friend and loyal collaborator in all his subsequent efforts, to start the Kelso Parish Bank Society. Both in Kelso and Hawick inaugural meetings were held early in November 1814. It seems likely that Dr. Duncan was present at the meetings. Both banks opened for business on 7 January 1815. Hawick Savings Bank has the distinction of being the oldest Trustee Savings Bank in the country with a continuous history, for the original Kelso bank, like the early banks at Edinburgh and Glasgow, was eventually wound up. A new bank in Kelso was constituted on 23 February 1849. The Hawick Bank, however, merely altered its name and adapted itself to the changing circumstances. Originally it was known as the 'Hawick Bank for the Savings of Industry'. One of its most active founders and original subscribers was Mr. James Anderson of Wilton Lodge, a former secretary to Warren Hastings in India. After sixteen months of activity in this thriving little wool-manufacturing town of 3,000 inhabitants, the deposits reached £1,257, and by 1820 they had grown to

£4,500, due to over 400 depositors. Although the Ruthwell model was closely followed in Hawick for some years, it was found to be unworkable and the elaborate constitution gradually gave way to a simple one more on the Edinburgh lines.

Meanwhile the Highland Society of Scotland, a very influential body including nearly all the Scottish peers, heads of clans, lairds, and principal heritors in the country, had appointed a special Committee under the convenership of George Tait, advocate, 'to consider what is the best mode of forming institutions of the nature of Savings Banks for receiving the deposits of labourers and others'. The Committee reported in November 1814, and its report was circulated about the end of the year. It was a businesslike document, persuasive from its very reserve. It pointed out the deficiencies and disadvantages of friendly societies and menages. The latter were working men's clubs, usually conducted on the premises of the local grocer or furniture dealer, in which small sums were regularly put aside for future purchases—the forerunner of the countless Christmas Clubs, Clothing Clubs, and other Share-out Clubs of to-day. The report then summarized the chief differences between the Ruthwell and Edinburgh regulations, definitely favouring the latter. It concluded by a recommendation of the savings bank as an institution which 'cannot do harm; which must do good; and which is so extremely simple in its nature, that it may with the greatest ease be established in every town and parish'. Here was a definite encouragement to the gentry to take part in the movement.

The second Report of the Edinburgh 'Society for the Suppression of Beggars' had been issued about the same time and the publicity it gave to its savings bank department served the same purpose with its more limited public. It neatly summarized the advantages of a savings bank account.

'It relieves from want, without checking industry; it secures independence, without inducing pride; it removes those painful misgivings which render the approaches of poverty so appalling, and often paralyse the exertions which might ward off the blow; it leads to temperance and the restraint of all the disorderly passions, which a wasteful expenditure of money nourishes; it produces that sobriety of mind, and steadiness of conduct, which afford the best foundation for the domestic virtues in humble life.'

This Report was followed in January 1815 by Dr. Duncan's *Essay on the nature and advantages of Parish Banks* which quickly went through two editions. A little later came Mr. Forbes's *Short Account of the Edinburgh Savings Bank (containing directions for Establishing similar Banks, with the mode of keeping the Accounts and conducting the Details of Business)*.

In June 1815 the *Edinburgh Review* lent its weight to the same cause. After describing the Ruthwell and Edinburgh plans, the article concluded on an almost lyrical note. 'It would be difficult, we fear, to convince either the people or their rulers that such an event [the spread of Savings Banks] is of far more importance and far more likely to increase the happiness and even the greatness of the nation than the most brilliant success of its arms or the most stupendous improvements of its trade or its agriculture—and yet we are persuaded that it is so.' Difficult indeed, when the country was celebrating the victory of Waterloo.

The call to action was irresistible and the response was immediate. Unfortunately there is no complete record of the early Scottish savings banks, for some of them did not survive and, unlike the English and Irish banks, they made no returns to the Government before 1835. But the year 1815 certainly saw the establishment of savings banks in Glasgow, Aberdeen, Dundee, Perth. Hawick, Montrose, Arbroath, Dumfries, Elgin, Forres, Kinross-shire (a county bank this), Jedburgh, Stonehaven, and Ettrick Forest. There was also a considerable number of small parish banks which have not survived; it is doubtful if any complete record of them remains, but amongst the early ones which are known to have existed at this time were one in Clunie, Perthshire, started by Principal Baird of Edinburgh University, a stalwart supporter of the Movement, one in the tiny parish of Glenbervie, the home of Robert Burns's ancestors, and others nearby in Fordoun and Craig. The Rev. J. A. Leslie, the minister of Fordoun, wrote to Dr. Duncan some years later (30 April 1819) telling him of the progress of the little bank in his parish and adding:

'You we consider the father of Parish Banks and they will hand down your memory with well merited respect and affection to posterity. The persons who are now reaping benefit from them have good cause to bless you, and by the institution of them you have con-

ferred an essential benefit on your country. They have done much already to arrest the progress that was rapidly making among the lower orders in the country to Pauperism, and they will, I trust, ere long restore throughout Scotland that Independency of Character and that Oeconomy among the lower orders which were our boast but a few years ago. The interests of Morality and Religion will also be benefited by them.'

The procedure was similar in all cases. The provost or parish minister or the superior or principal heritor of the parish would call a meeting of citizens to consider starting a savings bank. A large and influential Board of Managers would be constituted, the most active and interested of whom would form a Committee of Management. Rules would be adopted on the Edinburgh or Ruthwell models with local variations. An agent would be appointed. He was usually known as the actuary. The word 'actuary' was used vaguely at this time to denote any clerk or secretary to a company, particularly one 'skilled in calculations' such as the secretary of an insurance company or friendly society. Its adoption as the designation for the secretary of a savings bank did not escape criticism. 'I object to the word Actuary, a word not very intelligible even to the learned', wrote Edward Christian of Gray's Inn in 1816. Yet the name continued to be used of the chief officers of savings banks even after the establishment of the Institute of Actuaries in 1848. In 1927 inquiries from the trustee banks showed that many of the most important banks favoured the change of the title to some other such as secretary, manager, or controller. But the designation, supported by well over a century's usage, has persisted. The early actuaries were not always 'skilled in calculations', but they certainly did not seek to make their fortune by undertaking this public and semi-philanthropic work. They were perfectly aware that their fees in early years would be negligible and that they were taking on the task primarily as a form of social service. Suitable premises would be secured—most unsuitable probably in regard to accommodation, but with rent sufficiently modest to justify taking them. The hat would be passed round for contributions to cover the initial expenses. Books would be purchased, advertisements put in the Press, and the savings bank's active career could then begin. In view of the close association of the early Scottish savings banks with the banking

institutions of which they were definitely regarded as feeders in those days, it was not uncommon for the local bank agent to conduct the savings bank on bank premises—a feature which was unusual south of the border. But even where there was expert assistance of this sort with the book-keeping, the managers themselves put in a great deal of voluntary work, attending at the weekly or monthly openings, taking a hand in all the transactions and checking and supervising the accounts. It was one of the greatest extensions of voluntary social service in the history of the country and it was carried out whilst the country was still at war or was just emerging into the disturbing days of post-war depression.

By the end of 1815 Scotland was well covered with newly formed savings banks, except in the extreme north, though England had then only a comparatively few such institutions. The investment difficulties which were hampering the English pioneers and how they were solved by legislation in 1817 will be described in the next chapter. As the movement in Scotland developed on rather different lines it will be convenient to follow its fortunes here a little farther, at the sacrifice of strict chronological sequence.

This takes us back to Dr. Duncan, who was not only running his own bank in Ruthwell but corresponding with people all over the world about savings banks, writing articles and carrying out his parish duties with amazing vitality and energy. Letters poured in and it is said that about this time he spent £100 a year on postages out of his slender income. One danger was constantly in his mind. Some legal difficulty might arise or some insecurity be exposed owing to the doubtful position of the savings banks under the Friendly Societies Act. Banks on the Edinburgh model would certainly not come under the Act and it was doubtful if even the elaborate Ruthwell regulations, framed with this end, achieved their purpose. He took legal advice. It was unfavourable. So he at once approached his Member of Parliament, Mr. W. R. Douglas, later Lord William Douglas, and put the case to him early in 1817.

It was at this time that George Rose's Bill was before Parliament[1] and it would have been an easy matter to extend this to Scotland. But this did not appeal to Dr. Duncan or the other

[1] See Chapter V.

Scottish savings banks with whom he was in touch. The proposal that savings bank funds should be invested in government debentures might appeal to England and Ireland which had peculiar investment difficulties, but Scotland was managing very well with the system of depositing with the banks at 5 per cent. and had no wish for this arrangement to be disturbed.

So Dr. Duncan drafted a Bill suited to the Scottish banks and sent copies to the managers of all of them and other interested parties. The provisions were simple. The managers would be given a legal position on registering their Rules with the Justices in Quarter Sessions. They would have certain rights and privileges—exemptions from stamp duty, power to accept discharges from children and to pay small sums to the heirs of depositors who had died, without the expense of confirmation of executors.

It seemed that no one could take exception to the useful and modest proposal. But the Edinburgh Society, still nursing a little grievance, no doubt, at the worsting of its champion in the battle of words two years earlier, was greatly annoyed at not being consulted about the new Bill. This was not Dr. Duncan's fault. He had asked one of the Edinburgh directors to consult his Committee about the Bill and send him their views, but this had been overlooked. The explanation, when it came, was too late to smooth the ruffled feelings of the Edinburgh Committee. They denounced the Bill root and branch. Dr. Duncan was not dismayed. He went to Edinburgh, appeared before the Committee to state his case, enlisted many prominent Edinburgh lawyers on his side, corrected the Bill and then amended the corrected draft. But he could not shake the opposition. So the Bill had to go forward to the House of Commons with powerful Edinburgh interests intent on its destruction and the Lord Advocate himself frankly hostile. No one would have given much for its chances, despite the success of the English measure.

But the opposition under-estimated Dr. Duncan. He began by publishing a *Letter to W. R. K. Douglas, Esq., M.P.*, which did as much as pen could do to discomfit his adversaries. As a reviewer said, he 'triumphed over them in every possible way—in fact, in argument, and in temper'. And then he went to London. 'Once is quite enough for the head of a quiet Presbyterian Minister' he wrote of his London visit after his return

to Ruthwell. His short stay there was a 'strange dream' but there is little doubt he enjoyed it though he saw little of the London sights. One after another he tackled the leading personalities in both Houses. One after another they fell before his charm and persuasiveness or changed from a passive to an active support. Wilberforce was easy, of course, so was Gladstone senior; Lord Minto and Sir John Marjoribanks doubtful; Sir George Clerk of Edinburgh and the Lord Advocate difficult. But they all, along with Canning, Macaulay, Rosslyn, Vansittart, the Chancellor of the Exchequer, and many others were either won over or neutralized and the Bill passed on 2 July 1819. 'You may carry with you', commented Mr. Douglas, 'the satisfaction of knowing that the Savings Bank Bill would not have been carried except by your visit to London.'

All the savings banks, including Edinburgh, took advantage of the provision of the Bill, which remained their charter for many years. The legalizing of their position gave them a fillip which was accentuated by the coming of rather more prosperous times. All would have been well if the development of the commercial banks had proceeded smoothly enough to allow them to continue their generous deposit terms. But they had their difficulties, their years of depression. They were compelled to reduce the interest to savings banks. In 1824 and again in 1829 they could only offer 2½ per cent. and during those years interest often fluctuated between 2½ and 5 per cent. Some of the Scottish savings banks sought to minimize the disadvantages of frequent and sometimes violent changes in interest by amending their rules to allow the funds to be invested with the Government or municipalities or on heritable security or even on good personal security.[1] But others began to see that the English savings banks, operating under Rose's Act of 1817, had certain definite advantages.

Dr. Duncan was amongst those who began to wonder whether the English system with a less fickle rate of interest combined with a government guarantee might not be an advantage. In 1824 he suggested an optional extension of the English provisions to Scotland. A clause was drafted and introduced at

[1] The Stonehaven Savings Bank, for instance, lent £2,000 at 5 per cent. to a Company operating a distillery, the directors giving personal guarantees of the loan in addition to the guarantee of the Company.

Dr. Duncan's instigation by Mr. J. A. Ewing, M.P., when the English Bill of that year was before the House of Commons. But the Government took the line that optional provisions were too one-sided—it must be all or nothing. Uniformity and compulsion the Scottish banks were not yet willing to accept, so the proposal dropped for eleven years. These years served to bring more people round to the advantages of investing their funds with the Government. There were many financial crises. Several small joint-stock banks failed in the crisis of 1825–6 which followed the South American investment boom. In 1834 the well-known Edinburgh firm of Kinnears, Smith & Co. failed and a number of smaller banks also succumbed. The large banks weathered the storm but who could tell what the next crisis would bring?

It was in 1835 that an Act was finally passed which enabled Scottish savings banks to deposit their funds with the Government and so become part of what was then known as a 'National Security', now as the Trustee Savings Bank system. All savings banks established after the passing of the Act were bound to be certified under its provisions. The susceptibilities of the existing banks were met by giving them the option of changing over—an option which most of them took. In fact many of them were by then languishing and badly needed some new stimulus. The Edinburgh and Glasgow Savings Banks were in such a bad way that no attempt was made to revive them but new institutions under the 1835 Act were established in 1836. In the course of time most of the others changed over—Dundee, Perth, Aberdeen, Montrose, Arbroath amongst them. Only a handful remained and still remain under the 1819 Act but they include the flourishing banks at Airdrie, Greenock, and Dumfries. Although Dr. Duncan had a hand in the 1835 Act, the little Ruthwell Bank did not take advantage of its provisions. It amalgamated in 1875 with the Annan Savings Bank which still carries on a useful work under the Act of 1819.

Dr. Duncan died in February 1846, while conducting a prayer meeting in the parish he had served for forty-seven years. There was a touch of sadness and a touch of heroism about his last years. For when the great Disruption of the Scottish Church occurred in 1843 he was one of the 474 ministers out of some 1,200 who left the establishment for conscience' sake and had

to start afresh. At an advanced age he had to find a new house, build a new church nearby at Mount Kedar and face the loss of his only regular income. His spirit was unbroken but the strain told on his constitution.

The Disruption of the Scottish Church in 1843 was the final blow to the voluntary system under which the care of the poor in Scotland had been entrusted to the kirk session and heritors. This method of relief had already been found inadequate in many urban and industrial areas, where a compulsory poor rate had superseded it. A general change-over to the English system had been urged with force by Professor W. P. Alison[1] and others and could hardly have been indefinitely deferred. But the doctrine of thrift and self-help, supplemented, where necessary, by private charity administered by the Church, which had been preached and practised by Dr. Duncan in his prime, had since been advocated fervently by Dr. Chalmers, whose eloquence, literary ability, and powers of leadership made him a formidable champion. The old system might have survived even longer than 1845, when the new Poor Law for Scotland was passed, but for the Disruption, which Chalmers himself led and which caused his aged friend to leave his old church and manse at Ruthwell. It is difficult to say how far the differences between the English and Scottish methods of relief of destitution affected the attitude to thrift of the labouring poor in the two countries. The Scottish system was certainly breaking down, but many observers, like Dr. Duncan and Dr. Chalmers, attributed the greater thriftiness of the Scots at this time partly at least to its long survival and the absence in Scotland of those abuses which were notorious in England before 1834 and some of which lingered on for many years afterwards. Certainly the responsibility of the parish ministers in Scotland for the relief of the poor made them more interested in encouraging thrift by the formation of parish savings banks and accounts for the large part they played in putting Dr. Duncan's views into practice throughout Scotland. Their task was made easier by the strong desire for independence and the thrifty habits of many of the country folk, characteristics which were certainly not of recent growth but had been helped by the widespread dislike of a rate-aided Poor Law.

[1] *Observations on the Management of the Poor in Scotland*, 1840.

Though Dr. Duncan is remembered by his work for savings banks, he had many other distinctions. He was Moderator of the Church of Scotland in 1839. He achieved a considerable, though temporary, reputation by his writings, which included, in addition to those mentioned before, a novel, *William Douglas*, and the *Sacred Philosophy of the Seasons* in four volumes—a daily commentary on the bounty of Providence in a style beloved by many of his contemporaries. He was a keen naturalist. His restoration of the old seventh-century Runic Cross which stands in the parish church of Ruthwell established him as an antiquarian of note. He even confounded the famous geologists of his day by proving the existence of the tracks of four-footed animals in the red sandstone of a neighbouring quarry—'one of the most curious and most important discoveries that has ever been made in geology' according to Dr. Buckland.

But above all he stands out as a most cultured and attractive personality—a man whose advice Henry Brougham was always ready to take, whose company Dr. Chalmers, Thomas Carlyle, Robert Owen, Edward Irving (founder of the Irvingite Churches), James Hogg (the Ettrick Shepherd), and other men of note were always glad to share. 'The amiablest and kindliest of men' said Carlyle. His parishioners and friends showed their regard by erecting an imposing obelisk to his memory. It may still be seen on the site of the now disused Free Church at Mount Kedar. Visitors to Ruthwell may also see the inscription on the savings bank cottage, the monument over his grave and the simple brass tablet in the parish church which confidently proclaims him 'the father of Savings Banks'.

Chapter IV

THE BEGINNINGS OF SAVINGS BANKS IN ENGLAND AND IRELAND

Dr. Duncan did not expect his savings bank scheme to meet with the same success in England. He did not think the English beyond hope of salvation but enumerated four disadvantages which they would find it difficult to overcome. (1) The character and habits of the population. (2) The nature of the ecclesiastical establishment. (3) The system of poor laws. (4) The state of banking business.

At first it seemed that he was right. During the years 1814 and 1815 Scotland was covering itself with savings banks. In England by the end of 1814, apart from the pioneer institutions we have mentioned at Tottenham, Wendover, Hertford, and Bath, only a few places were feeling their way towards some bank for the savings of the industrious classes. At Liverpool and Bristol local charities were experimenting and successfully proving the demand for some such institution. The Liverpool Society for Bettering the Condition of the Poor, which was formed on the model of its London namesake in 1809, started by promoting a friendly society and public kitchens. Keeping in view its declared principle that 'the best relief the poor can receive is that which comes from themselves and that the most effective method of improving their conditions is by the encouragement of industry and prudence', it appointed a sub-committee in November 1811 to draw up rules for a 'Mechanics, Servants' and Labourers' Fund'. This fund was duly launched and was a savings bank of sorts; by 1815 it had developed, under the benevolent despotism of Archdeacon Jonathan Brooks, into the Liverpool Savings Bank. The Archdeacon's influence was such that, alone among savings banks, the Liverpool Savings Bank did not sever its connexion with the charity which gave it birth till his death in 1855. In other ways also Archdeacon Brooks gave it a distinctive atmosphere. He never lost sight of his object of 'bettering the condition of the poor' and started a savings bank library which by 1838 had

over 150 volumes and a printed catalogue. Depositors could use the library on payment of a shilling a quarter. There is no record of how many took advantage of it, but some may have been deterred by the list of books, which began with Beattie's *Evidences*, Beveridge's *Private Thoughts* (2 vols.), Baxter's *Dying Thoughts*, and Butler's *Analogy of Religion*. There was also a 'Minor Bank' at Liverpool associated with the main bank and presumably for children.

The Bristol Savings Bank was an offshoot of a Society with the even less inviting title of the 'Prudent Man's Friend Society'. It seems to have begun operations at the end of 1812, or the beginning of the following year, and the deposits in 1813 amounted to £536. Probably it was not at first quite self-supporting. Four per cent. was paid on each 25*s*. deposited. When the funds reached £500 the Committee was authorized to invest them in freehold land or government securities. Quite early in its career it started two branches and it continued to prosper until in the eighties it could boast of over half a million of funds. Unfortunately for the Movement, the trustees decided to close it in 1888 when the news of the Cardiff crash, which will be referred to later,[1] became public.

The Chichester Savings Bank may have preceded it, for the proposal which resulted in its formation was made on 26 September 1812. Like the Servants' Fund at Bath, its existence was made possible by the public spirit of personal guarantors, four in number. To limit their liability, the deposits of any individual could not exceed £50. The rate of interest was 5 per cent. on sums of £1 and over until June 1817, when it was reduced to 4 per cent.

There seem to have been three other savings banks started before the end of 1814, but as none of them survived little is known of them. Lancaster (1 February 1813), Wellington (Somerset) (January 1814), and Tavistock (29 September 1814). The Wellington bank, unlike the others, was conducted by a firm—Messrs. Fox & Sons. They admitted that it met with little response.

That a dozen or so savings banks should have been started in different parts of England before the missionary zeal of the Scottish pioneers had time to penetrate south of the Border

[1] See p. 236.

shows that the need was felt in both countries at the same time. England, however, still needed a Dr. Duncan to work out a system of general application, particularly one which would overcome the very real difficulties of investment.

As the English banking institutions would not pay interest on deposits—certainly not at a rate which would enable a savings bank which placed its funds in their care to offer attractive terms to depositors—the promoters of savings banks were forced to choose between three methods of investment. The first was the method of the personal guarantors—a method which never had any hope of forming the basis of a general movement on a national scale. The second was to invest the deposits in the funds and to offer a rate of interest to depositors slightly less than that obtained from the investments, so as to leave a little margin for management and emergencies. This still left a real risk that a sudden fall in the funds would jeopardize the stability of the institution. The third was to transfer to depositors the risks of fluctuation in the funds by making them proprietors of stock to the extent of their deposits.

This last scheme was devised by the aged Dr. John Haygarth of Bath. His name was a household word in medical circles on account of his reforms in the treatment of fever patients and his studies of small-pox and the periods of incubation of infectious disease. At the age of 75 he turned his attention to starting the Bath Provident Institution for savings. Dr. Haygarth realized that the old Servants' Bank in Bath, which relied on personal guarantors, could never extend much beyond the limits to which it had grown. He therefore produced rules for a new institution. Each depositor of £1 or over was to become the proprietor of £1 of stock in the public funds. The 5 per cent. stock stood at this time at under par, for a time as low as 92, and was the only stock purchased. The stockholder received four-fifths of the dividends, the other fifth being appropriated for expenses. Later the proportion reserved for management was reduced to one-sixth. This Bath Provident Institution was opened on 17 January 1815, with the Marquess of Lansdowne as President. £4,000 was deposited the first year and by 1817 the figure had increased to £17,000. The appeal was still mainly to women who were assured in an early circular that they were 'endowed with the largest share of the milk of human kindness'. The

credit for its establishment and early success was due to others besides the benevolent doctor—Mr. William Davis, Mr. Webbe Weston, and Colonel Enys. The Colonel, whose gout had driven him from the Army to the healing waters of Bath, was assured by a fellow officer that, 'You, perhaps, have done as much service for our Country by your labours in forming and executing a Provident Institution, as if you had commanded and led into battle one of the grand divisions of the British Army at Waterloo'—a tribute which must have warmed the Colonel's heart, if it did not relieve his gout.

Several savings banks were founded on the Haygarth model in which the depositors were stock-holders. These became known as Provident Institutions, to distinguish them from the savings banks proper in which depositors were only concerned with cash transactions. Easily the most important of the former was the Provident Institution for the Western Part of the Metropolis, which was opened at Panton Street, Haymarket, on 15 April 1816. The initiative again came from the Society for Bettering the Condition of the Poor, which collected a most distinguished board of trustees and managers. The Duke of Somerset was president and one of the four trustees. Twenty peers, including the royal Dukes of Kent and Sussex, formed the vice-presidents. The sixty-two managers included several of those whose interest in thrift has already been mentioned—Sir Thomas Bernard, Patrick Colquhoun, William Wilberforce, Horace Twiss, and Joseph Hume. It was perhaps more surprising to find the Chancellor of the Exchequer, the Rt. Hon. Nicolas Vansittart, M.P., among them, for his advocacy of state lotteries was well known; they were in his opinion 'no more hurtful than other games of chance'. A caustic backbencher was moved to suggest in the House of Commons that the following would be an appropriate epitaph:

Here lies
The Rt. Honourable Nicolas Vansittart
Once Chancellor of the Exchequer
The Patron of Bible Societies
The Builder of Churches
A Friend to the Education of the Poor
An Encourager of Savings Banks
and a Supporter of Lotteries !!!

The Rev. T. Malthus was a manager together with his fellow economist, David Ricardo; we find amongst the board the names of Edward Wakefield, the son of Priscilla, and the Rt. Hon. George Rose, M.P., who was also a trustee of the Bath Institute, but was more closely concerned with the Southampton Savings Bank. The most active of this vast board were Bernard, Colquhoun, and Hume and three lesser lights who wrote useful pamphlets about savings banks—Horace Twiss, John Bowles, and John Kingston, Jun. The last named is said in a contemporary leaflet by one of the trustees to have been the original projector.[1] Hume, however, was the principal publicist and the detailed account he wrote of the Panton Street regulations, together with his criticism of other schemes, shows how much thought was being put into the whole subject in England in 1816.

The bank was open on Mondays from 12 to 3 and Saturdays from 7 to 9. The actuary and one or more managers attended to receive deposits from sixpence up to any amount. New depositors had to sign a roll of parchment (which bore a 35*s.* stamp) subscribing to the rules, and were handed a pass-book. The pass-book contained one column for deposits, repayments, and transfers; the amount of stock bought and its price were recorded in separate columns. A check column and date column completed the page. The pass-book also contained the rules and interest tables. All the funds were invested in 3 per cent. Consols. Bath, as we have seen, had chosen the Navy 5 per cents., and consequently the Bath depositor did not become a stockholder till he had saved £1 sterling. The Panton Street depositor, however, in the early days of the bank, became the proprietor of £1 3 per cent. Consols when his deposits reached 12*s.* 3*d.* He was credited with the dividends twice a year less a charge of one-sixth of the dividends for expenses. Fractions of a penny were disregarded. Although the depositor was in a sense a stockholder he could not himself sell his holding unless he arranged for it to be transferred to the Bank of England; for all the stock was held in the names of the trustees who credited or debited the accounts of the individuals at the price prevailing on the first transfer day after the transaction. A depositor wishing to sell his holding had to give fourteen days'

[1] John Bowles, *Reasons for the Establishment of Provident Institutions*, 1817.

notice. This was less than the twenty-eight days required at Bath, probably owing to the greater ease of handling stock transactions in London. Hume thought the period of notice beneficial as it prevented depositors from spending their money 'on any sudden whim'.

The managers, who attended in rotation and whose work was, of course, honorary, kept a record of each day's transactions in a cash-book which was compared with the actuary's cash-book at the close of business. They also held monthly meetings to review the progress of the bank. Hume was intent to show the business-like structure of the bank. Indeed he thought his fellow-trustees and managers too generous in providing pass-books free to depositors instead of charging them the cost price of threepence each. It was his passion for economy and his inflexible individualism which led him later to be a rather embarrassing critic in Parliament of the financial basis of savings banks at a time when they were being run at a loss to the State. The Panton Street Bank moved before long to St. Martin's Place and, during its first half century of existence, took a leading part in savings bank politics. £1,000 was deposited in the first month and the funds had grown to £16,348 by 1 December 1817.

Other experiments were being made in the Metropolis. The London Provident Bank under the Presidency of Sir Thomas Baring, Bt. (whose name also appears as a manager at Panton Street), was started on 23 July 1816 on the same model. The first actuary, Mr. James Hutchinson, was also actuary of the Bloomsbury Provident Bank at Southampton Row (now amalgamated with the London Trustee Savings Bank) which dates from 10 February 1817, and naturally followed the same plan. Its board, under the presidency of the Duke of Bedford, made its influence felt on many occasions during the nineteenth century.

The St. Paul's, Covent Garden, Provident Bank had no use for these other precedents. Mr. Barber Beaumont, its able but erratic founder, had a varied and adventurous career. He had achieved some success as a painter before he entered business. He had been nearly murdered by a madman. He founded the Provident Institution of London in 1806 under the patronage of many hundred noblemen and gentlemen. This institution

catered for Life Assurance, Fire Insurance, and a Deferred Annuity Section for people of small means. The Annuity Scheme was a failure. This led him to conclude that the poor would not tie up their savings in youth and middle age. So he started a small savings department and later was instrumental in founding the separate savings bank which met monthly in an office in St. Paul's Church, Covent Garden. The distinctive features of his plan were his attempt at a democratic structure combined with a guarantee from leading capitalists. The depositors were to elect a committee of twenty-four from their own number. Like Dr. Duncan he was probably influenced by friendly society precedents. This committee was distinct from the Committee of Management which was appointed from the inhabitants rated at £50 or over, the members of the Vestry being *ex officio* members. The two committees met jointly to appoint the clerk and other officers. The funds were to be entrusted to a number of treasurers, 'men of apparent wealth', each of whom would be responsible for £200 or £300 on which he would allow 5 per cent. interest. The same rate of interest would be allowed to depositors of £1 or over on a monthly basis. Deposits were repayable on demand but no one might deposit more than £20 in all. The Covent Garden Bank survived till 1866 but never made much progress. But under Mr. Barber Beaumont it certainly found the limelight for a short time.

The Bath and Panton Street Banks did a fine bit of pioneer work in England and showed how some of the disadvantages so shrewdly summarized by Dr. Duncan could be overcome even without government assistance. But the truth is that they made rather heavy weather. Prices of government securities began to fall. Even Joseph Hume admitted that depositors stood to lose under his system in the event of a long-continued depression of funds and that any long-continued rise in prices which would increase the value of their holdings was very unlikely. It soon became clear that some change in the method of investment was necessary.

The same conclusion was being reached by those who were adopting the simpler though more risky procedure of accepting cash deposits with a promise to repay in full and investing the funds in fluctuating government securities. Such was the savings bank at Southampton, which opened for business on 1 January

1816, as a result of a public meeting held on 27 November 1815. The rules were drawn up on conservative lines and, like those of the Bath Provident Institution, served as a model for many other savings banks. They seem to have owed a good deal to the Edinburgh Savings Bank. The prominence of the Southampton bank and of sister savings banks at Portsmouth and Winchester was mainly due to the influence and enthusiasm of their President, the Rt. Hon. George Rose, M.P., whose *Observations on Banks for Saving* quickly ran through three editions in 1816. The rules provided that the first £200 collected should be lodged with the treasurer who would allow 5 per cent. upon it. The treasurer was, in fact, the banker who looked after the liquid balance. It was a weakness of the Southampton scheme that, before a bank could be started on the plan, a person of undoubted financial stability willing to take £200 repayable at call and allow 5 per cent. interest on the sum must first be found. When the funds reached this figure one half was to be invested in the public funds. Depositors were allowed 4 per cent. and Mr. Rose estimated that this rate could be maintained until the 5 per cent. stock reached 125, for he did not expect the expenses to exceed £40 a year. As a further safeguard it was provided that as soon as a depositor had accumulated £25 the sum was to be withdrawn and invested in the funds in his own name.

It is interesting to find among the Southampton trustees Lord Palmerston, who had already begun his long parliamentary career and was making his reputation in the House as an assiduous Secretary-at-War. Another of his colleagues was the Rt. Hon. Sturges Bourne, Canning's friend, who also attained to Cabinet rank later. The Earl of Cavan, full of honours from the Napoleonic wars, was amongst the select band of founder trustees.

The chief interest of the Southampton Bank, which still flourishes as a component part of the London Trustee Savings Bank, is that it served to foster the interest in the movement of 'old George Rose' whose name for good or ill was the one most prominently associated with savings banks in England between 1816 and his death in 1818. The English savings banks had been waiting for a dominant personality. They certainly found one. Mr. Rose's efforts to secure the legislation in 1817 which established the present Trustee Savings Bank system and the

feelings aroused by his close association with the movement will be treated in the next chapter.

It is not possible here to sketch the history of all the savings banks established in England during the two years preceding the 1817 legislation. It is true that there was little prospect of the ground being as well covered as it was in Scotland but the combined effect of example and propaganda was seen in the fact that at the time of the first Savings Bank Bill there were eighty savings banks in existence in England.

A few of these deserve mention because of the important part they were to play in subsequent developments. The Devon and Exeter Savings Bank, for example, was almost contemporaneous with the Southampton Bank. The early meetings were held towards the close of 1815. The meeting at which the resolution to found the bank was passed was held under the chairmanship of Bishop Pelham on 4 December 1815, and the bank opened for business on 12 February 1816. In this case also nothing could be more distinguished than the list of trustees and managers. It was under the Presidency of Lord Rolle, a Tory of the deepest blue, who lived to vote against the Reform Bill and to be the subject of Radical lampoons, but was known in his own county for his benefactions and generous treatment of his tenants. The trustees included four Members of Parliament, including a member of the Acland family, the Bishop, two other peers and three gentlemen whose names were household words in Devonshire—Sir Henry Stafford Northcote, Bt., the grandfather of the Victorian statesman, Mr. Samuel Kekewich, and Mr. Samuel Frederick Milford, whose energy and initiative really carried the venture through. The trustees and managers at once put their hands in their pockets. Forty-three subscriptions of £5 each came in and, with lesser sums, formed a most useful auxiliary fund of £468. Subscriptions for starting savings banks were not uncommon. Indeed, some small fund to work on was really a necessity. But this sum of £468 raised in Exeter was probably the biggest voluntary subscription in the country for this cause.

The rules of the bank provided for investment in the funds on the Bath plan and the payment to depositors of four-fifths of the dividends, the other fifth being taken for expenses of management, 'subject to quinquennial distribution of any surplus'.

This was no empty promise, for two distributions were actually made—one of £2,717 in 1826 and £5,573 two years later. But the most interesting feature of the Devon and Exeter Savings Bank was its establishment of agencies throughout the county almost from the start of the bank. 'We have virtually about sixty Savings Banks in our extensive county', wrote Mr. Milford. 'I mean that we have established that number of respectable receivers of deposits, principally clergymen, in various towns and villages, all of whom remit to our office the sums they receive on behalf of the Institution.'

Why the Exeter system was not generally followed, it is difficult to say. It was not for want of consideration of the best means of covering the whole country with savings banks, for this was one of the most frequent subjects for discussion among the pioneers. Dr. Duncan had hinted that 'the Savings Bank established in the chief town of every district might be employed as a Central Bank by the inhabitants of such parishes as have not the means of erecting an independent establishment for themselves. In each of these parishes a Committee might be formed, with an agent, a collector and other office bearers, to be chosen annually by the depositors belonging to that district.' Edinburgh early experimented with branches. In England Mr. Rose had tried to tap the districts surrounding Southampton and on one day early in 1816 had himself obtained nearly fifty depositors in Christchurch in an hour. Liverpool had agencies in Huyton and Winwick in 1818. There had been many suggestions for county banks. Mr. Edward Christian, a barrister of Gray's Inn, had written a pamphlet in 1816 strongly advocating the establishment of a Provident Bank, with branches, in each county. In spite of these early attempts to encourage an organized and comprehensive system based on the counties or large towns, the Exeter Savings Banks remained the only bank to develop a really extensive agency system. These agencies remain a feature of the bank to this day.

In Norwich the movement to start a savings bank was sponsored by Mr. John Hammond Cole, Receiver and Collector for the City and County, who is certainly entitled to rank as one of the pioneers, for he conducted a private savings bank for servants and apprentices from his house as early as 1812. In the spring of 1816 he arranged for the establishment as a public

institution of the Norwich Savings Bank (now the East Anglian Trustee Savings Bank) on the Southampton plan. In this he had the co-operation of the Mayor and many prominent citizens. In matters of finance Norwich was at this time very much dominated by the Gurneys and we find Joseph John Gurney, the well-known philanthropist, on the Committee of Managers and other members of the family among the subscribers.

Lincoln and Northampton Savings Banks were among the first to be established in the eastern counties and midlands where savings banks have always flourished. The first Northampton Savings Bank closed in 1891, but its successor, started in 1934, accumulated in its first five years as much as the earlier venture secured in over sixty years. In York the savings bank which has grown into the powerful York County Savings Bank was started through the initiative of the Lord Mayor in the early summer of 1816. Shrewsbury established a savings bank about the same time and by steady progress over a century became the natural centre of the Trustee Savings Bank movement in the west midlands. Shropshire, often regarded as a slow starter, was, indeed, more active in 1816 than most counties. Oswestry, Whitchurch, Newport, Ellesmere, and Ludlow, in addition to the county town, all had savings banks before the end of the year.

The northern counties did not respond as quickly to the new movement and most of the larger towns were content to wait for legislation. Personal guarantors were doubtless more difficult to obtain and the purchase and sale of securities slower and more costly. There were some interesting early ventures in Northumberland and Durham, of which, unfortunately, little is known. The village of Ryton in County Durham has laid claim to be the place where the earliest savings bank in England started. This savings bank was established by the Rev. Charles Thorp soon after he became rector of the parish. The earliest date for the opening of this interesting venture is, therefore, 1807, which is some years after Mrs. Wakefield's Tottenham Bank, though three years before Dr. Duncan's Ruthwell Bank was started. The Ryton Bank was conducted for two hours on Saturday evenings from 'The White House', which still stands. No records appear to have survived as to the rate of interest

allowed on deposits or the methods of investing the funds, but a later record says that the bank was 'of great benefit to the numerous bodies of forgemen, colliers, keelmen, and other industrious workmen in this and the neighbouring villages'. The savings bank at Bishop Auckland, opened on 3 February 1815, was also one of the very early English savings banks started on the Edinburgh model. There is evidence of a central bank for the Glendale Ward in Wooler (Northumberland), which was established about this time and operated through local secretaries in a number of parishes. Berwick, Alnwick, Morpeth, Barnard Castle, and Durham all formed savings banks during 1816.

Wales was practically untouched before the Act of 1817. Brecon and Bridgend alone took up the matter in 1816. In Ireland it was another matter, thanks again to the Church. The Rev. John Reade, the minister of the little parish of Stillorgan, south of Dublin, started a parish savings bank on 1 March 1815. It flourished, and when he moved to Clondalkin, another parish not far away, he met with equal success there. They were semi-charitable banks. Dr. Reade allowed 5 per cent. on sums between 10*s.* and £1, and when an individual deposit exceeded £1 he invested it in stock in the joint names of himself and his depositor. Smaller sums were deposited in large flat tin cases, each case containing fifty-four compartments. Each depositor had his own pigeon-hole, in which his deposits were placed together with a statement of his accounts. He was allowed a duplicate statement. This primitive and picturesque procedure was defended by Dr. Reade on the grounds that 'the poor are always better pleased to *see* their money, and they, on that account, like to increase their little capital, and are excited to such industrious pursuits as will enable them to do so'.

Quite a number of parishes in Ireland were encouraged by Dr. Reade's example to form savings banks in 1816. The progress in Ulster was due to the early lead given by Belfast. On 21 November 1815, a letter appeared in the *Belfast News Letter* signed 'Friend to the Poor', giving particulars of the workings of the Dumfries Savings Bank and explaining that benevolent individuals were using every exertion to form a savings bank in the town. The population of Belfast at this time was rather under 28,000. Shipbuilding and the linen and cotton industries

were the mainstays of the town, linen not yet having taken the prominent place it was to take after 1830. Here again the movement was closely connected with local charity in its inception and early days. The House of Industry—a charity for giving work to the unemployed started by the Society for the Employment and Relief of the Poor (1809)—was chosen as the first meeting place. The local clergyman presided over the meeting on 19 December 1815, but the chief promoter was apparently a linen merchant named Michael Andrews, who acted as secretary of the bank for the next forty-four years. After the rules of the Edinburgh Savings Bank had been compared with those of Ettrick Forest, which were framed on Dr. Duncan's model, the Edinburgh Rules were preferred and suitably adapted. A committee of fifty was appointed and the bank opened on 5 January 1816. The Belfast Commercial Bank allowed 5 per cent. interest, like the Scottish banks, and in return received the transfer of all accounts which reached £10. The start was slow, for the cotton spinners were going through bad times and most of the early support came from servants. Less than £3,000 was in hand after twenty-six months. But the trustees never lost heart and their example was followed by many other smaller places in the neighbourhood during 1816—Larne, Comber, Carrickfergus, Ramelton, Coleraine, Lisburn, Lurgan, Magherafelt, Broughshame, Londonderry, and the Bangor Corporation Depot.

By the end of 1816 the movement to establish savings banks was still in its experimental stage, particularly in England, Wales, and Ireland. Scotland had found a system which might cover the ground with the aid of the chartered and joint-stock banks. In the rest of the British Isles the need for savings banks had been proved, the response to their formation had been tested, but there was no likelihood that without legislation the movement would attain national dimensions. The pioneers had done their work; it was for Parliament to give the much-needed recognition of, and encouragement to, a development of such promise.

Chapter V

GEORGE ROSE'S ACT AND ITS RESULTS

THE rapid spread of savings banks between 1815 and 1817 was welcomed with enthusiasm by the governing classes. Here was the first constructive and practical proposal for counteracting the growing pauperization of the community, restoring independence to the masses, stopping the growth of the poor rate, and giving the ordinary man and woman some interest in the financial stability of the country.

But were there not dangers? Savings banks were growing up on many different plans. Some of them were obviously respectable and well managed. Others might emerge as unstable as the less reputable friendly societies and so bring the promising movement into disrepute. Some measure of supervision of rules seemed advisable even to the most ardent believers in *laisser-faire*. There had been little attempt in England to bring savings banks within the scope of the Friendly Societies Act, as Dr. Duncan attempted to do in Scotland. There were other problems arising. Various questions affecting the legal right of trustees to make certain payments needed to be cleared up. The fear of expensive litigation, as a result of some error or misunderstanding in the conduct of the business, was ever present. Stamp duty was onerous. Such matters needed the attention of the legislature in Scotland as well as England.

But in England, Wales, and Ireland these aspects were completely overshadowed by the need for some simplification of the investment problems of the trustees. When the trustees themselves took the risk of depreciation in the funds, it was likely to become increasingly difficult to persuade suitable men to accept the responsibility. Where the risk was passed to the depositors as individual stockholders, there was a fear that a fall in the funds would cause criticism, if not acute hostility, on the part of those in whose interests the whole system was framed.

Exaggerated hopes were no doubt entertained by some as to the significance of the new movement.

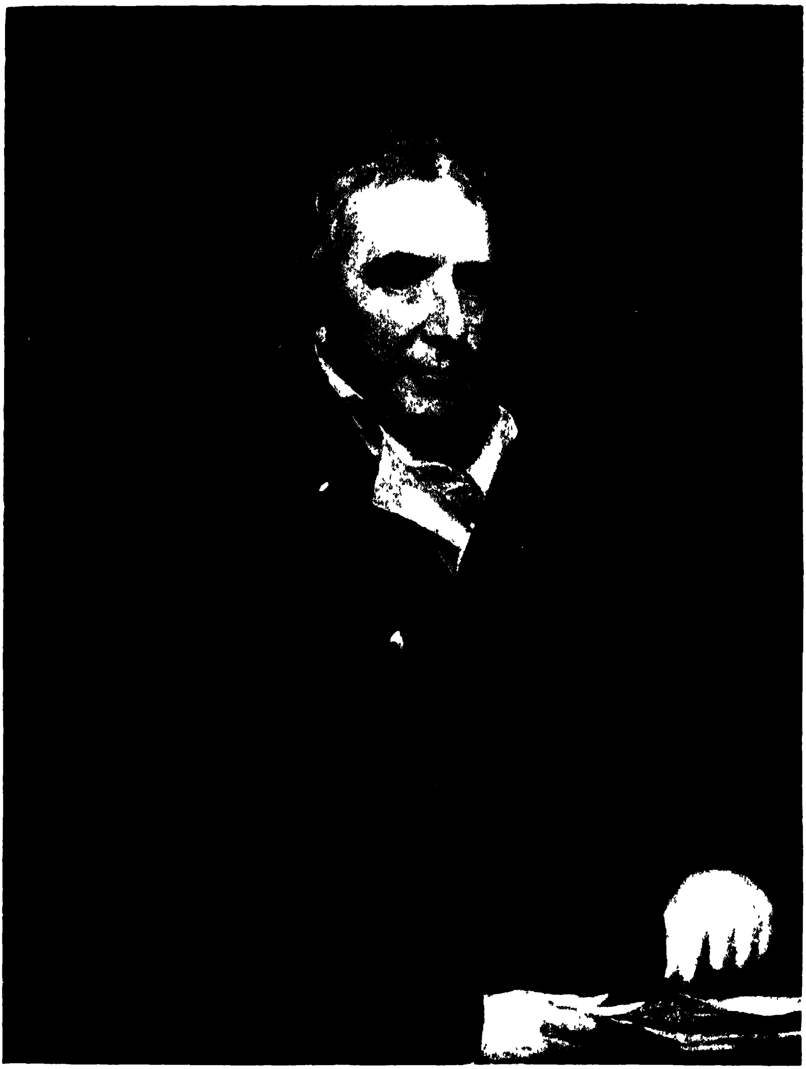
'In every new disciple of the Savings Bank', commented a writer of a pamphlet on the Poor Laws in 1818, 'I see at least two apostates

from the Poor Rate and in fifteen or twenty years there is no reason to doubt that the inherent and progressive principle of the Savings Bank will have not only stopped the progress but will have entirely routed the influence of its antagonist, the Parish Rate. Next to the road to the Church, I would teach the young the road to the Savings Bank.'[1]

This was the situation to which George Rose turned his attention. If Dr. Duncan is the real father of savings banks, the Rt. Hon. George Rose, M.P., is the father of the Trustee Savings Bank system as it is now known—that is to say, the system under which boards of honorary trustees and managers are responsible for the management of local savings banks and are brought into touch with the State by investing their funds with the National Debt Commissioners. The passing of the Savings Bank Act of 1817 was really his last achievement in a long and active life, for he died in January 1818. He was almost the last of the Pittites. But although this fact gave him some standing as an elder statesman in the House of Commons, it brought him nothing but abuse from the leaders of the new industrial proletariat, who attributed to him and his friends and contemporaries the responsibility for all the miseries and hardships of the war and post-war years. This was particularly unfair to one who, though he certainly had not omitted to look after his own interests, had shown a high degree of public spirit and a practical interest in social reform.

Rose was a Scot, born near Brechin. He joined the Navy as a boy. Though only eighteen when he left the Service he had taken part in some fighting and been twice wounded. He obtained a comparatively humble place in the Civil Service as a clerk in the Record Office. His researches there into the early records of the House of Lords brought him into touch with people of influence and he became Keeper of the Records in 1772 and Secretary of the Board of Taxes five years later. But his ambitions soared higher and he threw up his appointments, except for that as Keeper of Records, on being offered the post of Secretary to the Treasury under Lord Shelburne in 1782. It is true that this carried a salary of £3,000 a year but it was an uncertain political office. Indeed he lost it the following year

[1] S. W. Nicoll, *Summary View of Report and Evidence relating to the Poor Laws*, 1818.



RT. HON. GEORGE ROSE, M.P., 1744-1818

(Reproduced by permission of the National Portrait Gallery from the painting by Sir William Beechey, R.A.)

for a short time on a change of Ministry. Meanwhile he had formed a close friendship with Pitt. Pitt soon found him invaluable. Rose was not only a most staunch supporter ('an unscrupulous encomiast' a critic remarked after one of Rose's panegyrics of the statesman) but an ideal intermediary in the many delicate negotiations between members of his loosely knit party. Pitt first restored him to the Treasury where he instituted some reforms in the finances of the Department which had the effect of reducing his own emoluments as Secretary. He even refused an advance of £1,000 in his salary on the grounds that he had an income from certain other posts. These facts are worth recording because the many attacks made on him in later years were mainly aimed at his supposed cupidity. The acceptance of sinecures by politicians in the eighteenth century was taken for granted. It was justified on the grounds that it enabled men of ability to do public work without having to earn a living in any profession. Rose had at least as good a record as most. But he lived on into an age which was becoming very much alive to the abuses of the old system. His subsequent offices included those of Master of Pleas in the Court of Exchequer (for life), Verderer of the New Forest and Clerk of Parliaments, Vice-President of the Board of Trade, Joint Paymaster General and Treasurer of the Navy. He refused the Chancellorship of the Exchequer in 1809 because he distrusted his ability as a speaker and feared he would not be able to carry through the policy of retrenchment in which he believed. He did not, of course, hold all these offices at once. He passed on the Mastership of Pleas to one son and the Clerkship of Parliaments to another. He was given an annuity of £300 for his wife as compensation for giving up other work. In 1817 William Cobbett claimed that the receipts of the Rose family from public funds were

Treasurer of Navy . .	£4,324	per annum
Keeper of Records . .	£400	,, ,,
Clerk of Parliaments . .	£4,946	,, ,,
Clerk of Pleas . . .	£2,187	,, ,,

These facts were used to whip up an agitation not only against Rose but against savings banks and there is little doubt that Rose's close connexion with the banks in the years 1816 to 1818 lost for them a certain amount of support from the working

classes in the industrial centres where agitation was now at its height.

Yet Rose's interest in such matters was no new thing. As early as 1793 he had secured the passage of the Act which first gave legal recognition to friendly societies and offered substantial encouragement and relief from taxation to the societies which enrolled under its provisions. His belief in thrift was strengthened as a result of his close study of the Poor Law at the time of Pitt's abortive attempt at reform in 1796. He later secured the publication of useful statistics about the amount being spent on the relief of the poor. After Pitt's death, though Rose participated frequently in debates in the House, he took less part in politics and more in philanthropic work. He helped to found the National Vaccine Institution; took great pains to secure the redress of the grievances of the Spitalfield weavers in 1811 and then, when over 70, took up the cause of savings banks with the enthusiasm of a young man. Rose's Friendly Societies Act must be followed by Rose's Savings Banks Act.

And so it happened, though not, perhaps, as easily as he expected. He first asked leave to introduce a Bill at the close of the 1815 session; but the discussion was postponed until the following April. In the interval Rose had received a letter from the trustees of the Belfast Savings Bank asking whether a Bill to obtain parliamentary sanction and protection for savings banks was in contemplation and expressing the hope that he would introduce such a measure. The trustees later formulated and sent to him certain suggestions but how far these were embodied in the first Bill is not known. Rose had no difficulty in obtaining leave to introduce the Bill. Mr. Vansittart, the Chancellor of the Exchequer, blessed the project and offered his assistance. The first Bill was therefore introduced on 15 May 1816. It was a modest measure, for the idea of investing the funds with the Government had not yet occurred to Rose. The trustees were to enrol themselves as a savings bank at Quarter Sessions. The Rules were to be left with the Clerk of Peace. Officers entrusted with money were to give security. The only contentious clause was that providing that depositors should not be prevented from applying for parish relief.

The Bill, in fact, did not go nearly far enough. Rose recognized that it was capable of improvement and withdrew it.

There was some criticism of its details by the English savings banks and it was already clear that Scotland, or at least Edinburgh, would oppose inclusion by tooth and nail. Nor had the Bill escaped the eagle eye of the great Radical, William Cobbett. Cobbett was now at the height of his power as a popular writer, though his more enduring work—the *English Grammar* and *Rural Rides*—was yet to come. Through the medium of his *Register*, his own interpretation of political happenings and social conditions was becoming well known and the influence he exerted was astonishing. The *Register* had a prodigious sale and still more prodigious circulation in 1810, according to the *Edinburgh Review*. In the autumn of 1816 he was able to secure a still wider public by bringing out an abridged unstamped edition at 2*d*. in addition to the stamped edition at 1*s*. 0½*d*. Through the columns of this paper he became, as Hazlitt said, 'a kind of fourth estate in the politics of the country'. After his conversion to Radicalism about 1806 he became a bitter critic of the Pittites and of almost all that Pitt had stood for. Taxation and the national debt were the shackles imposed by the Pittites on the common people. Pensions and sinecures were the evidence of their corruption. Could any good come out of such a representative of this faction as George Rose?

> 'Mr. Rose, who with his pockets full of the public money, derived from sinecures and salaries, made himself the head of a project for establishing what he called Savings Banks, which project, absurd and ridiculous as it is, will, I have not the smallest doubt, be imitated in your Country.'

So he wrote in a letter to the people of the United States of America which appeared in the *Register* of 7 September 1816.

> 'A project to get from labourers a part of their present income in order to collect it into a fund for their relief. It was very clear that they had not the means of furnishing themselves with a sufficiency of food and raiment out of their wages and, therefore, it was proposed to induce them to give up part of those wages in order to form a fund, to be drawn upon by them at a future time. Stupidly eager as the Nation is to be carried away by every new sound, I must confess that it did receive with shrugged up shoulders and with a sort of smile the Savings Bank project of George Rose, who, besides, begins to smell pretty strongly of the immense sums of the public money which he has received.'

John Smith, another Radical speaker, stimulated no doubt by what he had read in the *Register*, spoke on similar lines to the Bolton weavers in October 1816.

'The very man who has amassed a large fortune and is in daily receipt of large sums out of taxes comes before you weavers, who can scarcely earn a pound of meal a day for each in your families, and talks of your *savings* which he advises you to deposit in his famous Savings Bank. For what real object? Why that the hardy and industrious journeymen and citizens of the country may club their money together and have it placed in a thing called the funds, that is, to make it part of the great debt, by which means you would tie yourselves to the present system of mismanagement and would be silenced as to any reduction of those taxes required for paying the interest of those funds.'[1]

Cobbett returned to the charge in an even more virulent attack on 4 January 1817, under the title 'A New Year's Gift to Old George Rose', in which he again denounced the 'Savings Bank Bubble'.

'The Company of Projectors who, in the reign of George the First, wanted a Charter granted them for the purpose of "making deal boards out of sawdust" just saves you from the imputation of having, in the Savings Bank Scheme, been the patron of the *most ridiculous* project that ever entered into the mind of man. This scheme was, it seems, of Edinburgh origin. That seat of all that is servile in politics and religion.'

Old George Rose, however, was not deterred. On 5 February 1817 he reintroduced his Bill. Scotland was now excluded. Ireland was to be dealt with by a separate Bill. The really important provision was that which required the trustees to pay the money they received, other than was needed for the transaction of day-to-day business, into the Bank of England to the account of the Commissioners for the Reduction of the National Debt. Debentures would be issued for the sums so deposited on which interest would be allowed at the rate of 3*d.* a day or £4. 11*s.* 3*d.* per cent. per annum. This was a generous rate, for the price of Government Securities had risen since the days in 1815 when 5 per cent. was obtainable. The price of 3 per cent. Consols rose from 56⅞ in August 1815 to 61⅝ in November of that year. It remained between 61 and 63¼ during 1816 but in 1817 the improvement was marked. In

[1] From report in the *Liverpool Mercury*, 4 Oct. 1816.

February the figure was 65¼, in May 72¼, in August 80⅜, and by November 83. So that at the time the Government were offering savings bank depositors £4. 11*s.* 3*d.* per cent. the yield on 3 per cent. Consols was only about £3. 15*s.* per cent. It was no doubt felt that money spent to encourage thrift amongst the working classes was justified on philanthropic grounds and might also bring some return by reducing the amount spent on the Poor Law. The complications of an uneconomic rate of interest were not yet clearly foreseen.

The money was to be kept in a separate account at the Bank of England, known (as it is to-day) as the 'Fund for the Banks for Saving'. Here at last was the solution of the investment difficulties of the English trustees—a solution which proved to be both permanent and satisfactory. The security was the best possible—the Consolidated Fund of the United Kingdom—and the money deposited would always be repaid to the trustees pound for pound. The voluntary nature of the management was also clearly defined in the Act—no treasurer, trustee, or manager was to derive any benefit whatever from his office. The limits of individual deposits were to be £100 the first year and £50 a year thereafter, except for friendly societies which might deposit without limit. Privileges affecting stamp duty and the distribution of small estates were included in the Bill and other clauses were inserted to clear up minor difficulties of administration which had already been experienced. Rules embodying these provisions and bonds of security for the treasurer and officers handling cash were to be lodged with the Clerk of the Peace.

Savings banks were the subject of much legislation during the next century, but here in 1817 the two most fundamental principles were laid down—honorary management and the investment of the funds with the State. Conditions in the country were going from bad to worse. Distress was acute and was fostering agitation which was thought by the more timid to be subversive of the whole Constitution. The Habeas Corpus Act was suspended and Secret Committees were appointed by both Houses to discuss the revolutionary tendencies. But old George Rose went serenely on his way, answering first the criticism of General Thornton, M.P., who objected to the high rate of interest, then of some of the more independent savings bank pioneers—Barber Beaumont, the Rev. Lloyd of Hertford,

and the Norwich trustees—who objected to the removal of the discretion of trustees in the investment of the funds. Then he was faced with more serious opposition, which indeed threatened to wreck the Bill, to the clause which provided that a person should not be deprived of parish relief if he had money not exceeding £30 in the savings bank. This proposal shocked those who thought that such a departure from the strict test of destitution would still further weaken the administration of the Poor Law. But Mr. Rose insisted that the provision would reassure those amongst the poor who feared the Bill was intended to get rid of the poor rates. Even Brougham, who claimed to be in close touch with working-class opinion, could not stomach another clause which would have allowed parishes to give premiums of 6*s.* or 7*s.* 6*d.* to those who saved regularly. This was 'coaxing and cajoling people into industry and economy'. Rose gave way on the latter clause but stuck to the former, which was passed by sixty votes to twenty-seven in the House of Commons only to be thrown out in the Lords. The remainder of the Bill, however, was approved by both Houses and received the Royal Assent on 12 July 1817. Old George Rose lived a few months after its passing, long enough to see the immediate response in the formation of new savings banks throughout the country. About 150 such institutions were formed within twelve months. He would have asked no better reward.

Meanwhile the Irish Bill, for which the Belfast trustees had pressed, wisely steering clear of these Poor Law obstructions, had been given a smooth passage, with the result that it actually became law a day before the English Bill. In other respects it was much the same as the English measure, except that the limit of deposit during the first year was £50 instead £100.

By these two Acts of 1817 the English and Irish savings banks were brought into association with the National Debt Commissioners, a statutory body which has ever since been intimately associated with their management and progress. Their Commission dates from the Act of 1786, creating the Sinking Fund, passed during William Pitt's first administration. The original *ex officiis* Commissioners were the Speaker of the House of Commons, the Master of the Rolls, the Chancellor of the Exchequer, the Accountant-General of the Court of Chancery, and the Governor and Deputy-Governor of the Bank of Eng-

land. The Chief Baron of the Exchequer was added in 1808, but four of these seven distinguished office-holders seldom took part in directing the work of the Commission after the first few years. The active Commissioners were naturally those who were concerned with Government Loans—the Chancellor of the Exchequer and the Governor of the Bank of England and his Deputy—and their duties were carried out by a Comptroller-General and the staff of the National Debt Office. Much controversy arose later in the century about their powers under the Savings Bank Acts and there is no doubt that many thought that by these Acts of 1817 the Government was accepting full responsibility for the savings banks certified under them. This was not, of course, the case. The National Debt Commissioners became the savings banks' bankers; they had no responsibility to individual depositors, though the return to the trustees of the banks of the money lodged with them was guaranteed on the security of the Consolidated Fund.

The early procedure was something like this. The Commissioners would obtain from each certified savings bank a list of the trustees and specimens of their signatures. When there was more money in the local savings bank than was required to meet expected withdrawals, two of the trustees would sign an Order to invest the surplus with the Commissioners. This Order would be sent through a London agent to the National Debt Office, which would instruct the Bank of England to credit the sum to the 'Fund for the Banks for Saving'. In early years a form of debenture was issued to the trustees in return for the investment, but this was found inconvenient, as it necessitated the surrender of the debentures at the Bank of England when money had to be withdrawn; so a simple form of receipt was substituted. The Commissioners had no legal responsibility for the money retained at the local savings bank, but they received certain statutory returns from the banks and it was not very clear how far they were supposed to be put on inquiry if the returns were delayed or unsatisfactory and whether they really had supervisory duties in the interests of the depositors. They were at first inclined to disclaim any responsibility except as bankers, but, as the years passed, their powers of control and supervision grew.

Once the money was banked with the Commissioners, the local trustees had no concern as to how it was invested, though

they assumed, as will be seen later, that it was invested in the way to give the highest yield consistent with the necessary degree of liquidity. When the Fund was small, the matter of investment was unimportant, but, as it grew, successive Chancellors found it useful for various Treasury purposes and claimed complete freedom in their use of it within the limits allowed by the governing Statutes. Normally the Comptroller-General would invest the free balance in government stock on his own initiative. This was the invariable custom at first, but after 1828 there were times when the Chancellor of the Exchequer would instruct him to buy Treasury bills. When any of the Fund's securities had to be realized, it was customary for the Comptroller-General to take instructions from the Chancellor. These transactions were not divulged to the savings banks or, indeed, to the House of Commons and the growth of suspicions as to what was going on behind the scenes evidently began before the new Acts were many years old, though it did not become a matter of public discussion until the forties and fifties. But in the days of great activity following the passing of Rose's Acts, the National Debt Office gave enthusiastic encouragement to the hundreds of savings banks desiring to take advantage of the new provisions and the official Trustee Savings Bank system started with close and cordial co-operation between local trustees and this comparatively unknown government department.

Mr. John Tidd Pratt, who in his official position of Savings Bank Barrister (1828) compiled most of the early statistics relating to savings banks, records that previous to 1817 there were seventy savings banks in England, four in Wales, and four in Ireland. These figures would appear from the particulars quoted in Appendix I, all of which are from official sources, to have been an understatement. But the following figures show the immediate effect of the passing of the 1817 Act.

	England	*Wales*	*Ireland*	*Total*
Established before 1816	6	..	..	6
" during 1816	74	4	4	82
" " 1817	57	5	1	63
" " 1818	119	6	7	132
" " 1819	30	2	7	39
" " 1820	3	..	5	8

There are no official figures of savings banks in Scotland until the statutory provisions governing the English banks were extended to Scotland in 1835, but it is said that by 1819 there were 182 such banks. It will therefore be seen that by the end of 1818 there were something like 465 separate savings banks in the British Isles. All except about six had been started within four years. Such figures speak for themselves. It was one of the most rapid and spontaneous movements in our social history, for it must be remembered that there was no central organization to stimulate its growth. The exertions of a few enthusiasts had roused the whole country. Savings banks were at last not only in the news but on the map.

The savings banks started in 1817 were mainly small ones but seven at least have grown to positions of importance in their own districts—those at Bolton, Chester, Taunton, Boston (Lincs.), Leicester, Reading, and South Shields. Twenty others continue to flourish to an equal degree as parts of larger units formed as a result of amalgamations a century or so later.

Of the 132 savings banks started in 1818 two—those at Manchester and Hull—were to share with the savings banks at St. Martin's Place (London), Liverpool, Glasgow, and Edinburgh the distinction of leading savings bank thought and formulating its policy during the nineteenth century. The Manchester and Salford Savings Bank (as it is now called) was established as a result of meetings convened by the borough-reeves and constables in December 1817. It opened on 5 January 1818, with the Bishop of Chester as president and the Members of Parliament, the Chairman of the Quarter Sessions, the Magistrates, and a number of other prominent gentlemen as vice-presidents. Seventeen trustees and fifty-nine managers composed the board, the large number being due, as in other savings banks, not so much to a desire to secure many influential names as to the need for spreading over as wide a circle as possible the duties of attendance at the transaction of business and so reducing the amount of voluntary service required from each manager. In Manchester as elsewhere the managers were active and conscientious in the early years but the more firmly did the bank become established the more arduous did their duties become and the more difficult was it to secure their regular attendance. The Manchester Savings Bank made such rapid progress that

it was not only able to increase its actuary's salary to £150 a year in 1822 but to appoint a full-time assistant at £75 per annum four years later.

Even these modest salaries were quite beyond the means of the vast majority of savings banks during the first half of the nineteenth century. Small savings accumulate very slowly in the early stages. The savings banks which were receiving £4. 11*s.* 3*d.* per cent. from the State as a rule credited their depositors with 4 per cent. on every 12*s.* 6*d.* deposited. From the margin of 11*s.* 3*d.* per cent. a deduction had to be made for the uninvested funds, which in the early days of the bank were bound to be proportionately high and earned no interest. As an offset there was some small saving due to the fact that balances under 12*s.* 6*d.* (or in some banks 20*s.*) received no interest. It is doubtful if any of the early banks could rely on more than 10*s.* per cent. for management. Later, when the State reduced its interest, the margin for expenses decreased as the reduction in the rate credited to depositors was generally less than that allowed to the trustees. In the smaller towns the most that the trustees were able to offer to the actuary, secretary or treasurer who looked after the books and the money was an honorarium of from £5 to £20. The rest of the work was honorary.

The savings banks in the larger centres of population, if they were well managed and successful, might accumulate £50,000 in five or ten years and so secure a regular income of not less than £250 for salaries, rent, printing, and stationery, and other incidental expenses. Even in 1841, when most of the 555 savings banks in the British Isles had been in existence for nearly a quarter of a century and catered for 841,000 depositors, only 33 in England, 2 in Scotland, and 4 in Ireland had funds of over £100,000. It was, therefore, the few which could attract full-time officers of education and ability to give continuous thought to savings bank problems which naturally took the lead in organizing the development of the movement. The trustees and managers were all leading men in their own localities, able and willing to exercise influence when the interests of their banks were threatened, but too busy to deal with the many problems which naturally arose in a new and rapidly growing movement. The Manchester bank took less than twelve years to accumulate £200,000 of deposits and 6,600 accounts. It had outstripped

the number of accounts of its neighbour at Liverpool which had started several years earlier; but Liverpool had the advantage in funds, which exceeded £265,000 in 1829.

The Hull Savings Bank started modestly in a room in Market Place, equipped with a small table, six chairs, a lamp, three candlesticks, a cash-box, and a cash-book. The Mayor presided at the first meeting, when the usual resolutions were passed and a patron, a president, four trustees, and fifty-two managers (one for each week) were appointed. The moving spirits were a clergyman, the Rev. G. Lee, and a prominent layman, P. N. Crosse, Esq. From the beginning the Board acted with great energy. They sent out a circular to 'the Industrious'. After pointing out that, as trustees, they were perfectly disinterested, and stressing some of the obvious dangers of hoarding money at home, and some of the weaknesses of friendly societies, they concluded with a panegyric of savings banks.

'Savings Banks ensure competency—competency inspires dignity and independence of mind. These render their possessor superior to low, dishonest and grovelling arts. He thus becomes a man in the strictest sense of the word. He becomes sufficient to himself, leaning on no borrowed staff, putting himself at no fellow man's disposal, soliciting no alms, nor bending submissively under a sense of obligation in the presence either of a generous or haughty benefactor.'

They followed this up with a circular to owners and managers of fishing vessels. At the end of the first year they were so pleased with the progress made that they invited the depositors to meet the trustees and managers. No less than £34,000 had been deposited in the first twelve months, a result which made it virtually certain that a flourishing savings bank with a full-time staff would support itself successfully in the city.

The following year, however, the trustees had to face something of a run owing to the circulation of an amazing rumour. Someone spread it abroad that the Government was about to seize the effects of friendly societies and savings banks to pay off the National Debt. It seems almost incredible that such a crude suggestion should obtain wide currency and become, indeed, the talk of the town. Nor was it confined to Hull, for it was prevalent in industrial districts of Lancashire. A question was asked in the House of Commons. The Chancellor of the Exchequer was indignant. 'Even after the experience of the extent

to which malignity and absurdity could go in the propagation of reports injurious to the administration, he had not been prepared for such a rumour as that alluded to. There was not the smallest foundation for it either in fact or possibility.' Soon the funds withdrawn began to return and the Hull Savings Bank continued to make steady progress. After ten years there were 4,000 depositors and nearly £170,000 of funds. Although the years 1829 to 1831 were years of national distress resulting in some falling off of deposits, the surplus funds continued to grow and in 1830 the trustees decided to take the original step of using part of the accumulated surplus to start a school 'for educating at a cheap rate a limited number of boys, children of depositors or boys being themselves depositors'. Thrift was not the only virtue required of the children, for by the first rule the parents were required to see that they attended punctually and that their 'hands and faces are clean, their hair combed and cut short'. This school, the only savings bank school, closed in 1851, following discussions with the National Debt Commissioners. It was an interesting experiment at a time when freedom to experiment in methods for encouraging thrift was less circumscribed than at present, and when the education of the poor was dependent on voluntary initiative.

A general history of savings banks clearly cannot trace the histories of all the individual savings banks. This must be left to the local historians. The records of most of the 132 savings banks started in England, Wales, and Ireland in 1818 have probably disappeared, as only 32 of these have a continuous history down to the present time. The 100 which closed between 1861 and the end of the century were mostly in small communities. Where larger communities were served, the closing of the original bank has in many cases been followed within the last twenty years by the opening of a new Trustee Savings Bank or of a branch of a neighbouring bank. Among the 32 survivors, in addition to the Manchester and Hull banks, are those at Newcastle-on-Tyne, Nottingham, Devonport, Derby, Leeds, Huddersfield, Carlisle, Warrington, and Dublin.

After 1818 the opening of new banks proceeded, but at a reduced pace. There was not a single year between the passing of the first Act and the coming of the Post Office Savings Bank in 1861 in which at least one bank was not started. The Shef-

field Savings Bank was easily the most important of the thirty-nine started in 1819. Opening rather inauspiciously in November, when Sidmouth's 'Six Acts' were before Parliament to the dismay of the trade unionists and reformers, it was at first regarded with some suspicion in working-class circles, suspicion which grew when the local Press suggested that the workers should put their sixpences into the savings bank instead of into illegal combinations. The feeling that the new organization was a device to get the money of the poor into government control died slowly. But thanks largely to the persistence and enthusiasm of James Montgomery, the poet and journalist, the Sheffield Savings Bank soon became firmly established. The Duke of Norfolk as first president and Earl Fitzwilliam as vice-president headed the list of subscribers. The sixty directors included fourteen clergymen. James Montgomery seems to have been in touch with Dr. Duncan. He was also a friend of Wilberforce, whose interest in savings banks and particularly the Hull Savings Bank was well known. By 1824 the funds had risen to over £50,000, although the bank was still conducted in a small rent-free room only four hours a week. The ill-fated first Cardiff Savings Bank opened the same year.

1821 saw the Wigan Savings Bank opened. The next year two more Lancashire banks which have always prospered, Ormskirk and Bury, followed suit, and the movement extended to the Channel Islands with the establishment of the Guernsey Savings Bank. Jersey followed in 1834. Among the larger Trustee Savings Banks founded in the first half of the century were Stockport and Sunderland (1824), Swansea (1827), Ashton-under-Lyne (1829), Blackburn (1831), Coventry (1835), the second Glasgow and Edinburgh Savings Banks (1836), Plymouth and Dunfermline (1837), Paisley and Kirkcaldy (1838), Inverness (1840), Stirling (1842), Falkirk, Leigh (Lancs.), and Chorley (1845). The Chorley Bank was started by the Rev. J. Streynsham Master, whose father had founded the small savings bank at Croston (1818) and whose son later succeeded him as president at Chorley.

This rapid survey of a few of the early savings banks gives only a very general idea of the way in which the new movement spread during those years and the people to whom the credit is due. There was no central direction. The initiative, except in

Scotland, which was canvassed from Ruthwell and Edinburgh, came from each locality. It is, therefore, fruitless to seek a general explanation as to why savings banks were started earlier in some places than others. Mr. John Davison, M.A., a Fellow of Oriel College, Oxford, in the course of a pamphlet on the Poor Laws in 1817, wrote:

'These institutions of economy have made less progress, I believe, hitherto in the manufacturing counties than in many others. Is this slow adoption of a benefit precisely made for them owing to the extreme exhaustion of those counties; or to another cause and a cause intimately connected with their welfare in a thousand points of view—absence of the guiding care and influence of men of weight and public spirit to give things a proper direction?'[1]

Certainly some of the county towns like Exeter, Chester, Norwich, Leicester, Lincoln, Hertford, and Shrewsbury could draw more freely on the services of wealthy landowners and members of the aristocracy. This was no doubt a help. Substantial subscriptions could easily be raised and there was no difficulty in securing trustees whose names were a sufficient guarantee to the public of financial backing. This may account for the early start made in such places. But there were other towns early in the field, in which the townsmen acted equally vigorously independently of, or with little assistance from, the county families—Hull, Manchester, Bolton, Leeds, Sheffield, Belfast, Derby, Ashton-under-Lyne, and Sunderland among them. In such places employers, merchants, and professional men took the lead, usually at the instance of the mayor, but sometimes through some active representative of the Church or some private philanthropist who had read the pamphlets of Dr. Duncan, Forbes of Edinburgh, Bernard, Rose, or Hume. The distinction between industrial towns and county towns cannot be carried too far. York was predominantly a townsman's bank, though three landowners were prominent supporters. Wigan and Warrington were predominantly county. In most of the early banks the clergy were prominent, though wisely they did not always accept the office of trustee with all its financial implications.

The boards of directors, as they were often called in early days, or trustees and managers, were sometimes very large, from

[1] John Davison, *Consideration on Poor Laws*, 1817.

fifty to eighty being not an uncommon number. Probably by 1820 there were over 20,000 honorary trustees and managers directly engaged in promoting thrift throughout the British Isles. In some places there seems to have been a social distinction between trustees and managers, but the constitution of the boards was far from uniform. Some banks appointed no managers, the whole governing body being designated 'trustees'. Elsewhere the trustees were few in number, perhaps four or six. The commonest constitution provided for about ten or twelve trustees and fifty or more managers. Even in these cases there seem at first to have been very few instances of a clear distinction of wealth or class between the two types of honorary director. As the years passed, there was some tendency for the trustees to be those who were able and willing to give financial backing to the savings bank, but not to do the actual work of attending weekly or monthly at the receipt of custom. These were often the landowners and wealthier gentry and they were sometimes dignified with the additional title of patron, president, or vice-president. The managers in such banks were the voluntary workers who gave their service in assisting the paid staff to receive deposits, make repayments, keep the books and generally manage the banks. One does, however, occasionally find instances of members of the aristocracy acting as bank clerks and being as assiduous in their duties as the ministers, tradesmen, doctors, shopkeepers, and others who more usually undertook the routine duties. Once the financial liability ceased to have much meaning and the administration was carried out mainly by paid officers, these distinctions between trustee and manager lost whatever point they ever had. The old names persisted and it became not uncommon to regard the post of manager as a sort of apprenticeship to that of trustee. Even to-day the practice in this respect varies considerably in different localities.

Before an attempt is made to follow the fluctuating fortunes of the savings banks after they had been brought under the aegis of the State by the 1817 Act, it is worth considering how far the movement for establishing these banks in the British Isles influenced developments in other parts of the world.

There is no doubt that there were a few isolated institutions on the Continent which handled small savings before anything of the same sort was to be found in Great Britain; but the

British savings banks seem to have been the first to be systematically established on a national basis. 'If Great Britain had not the first idea,' wrote Agathon Prévost of the Paris savings bank in the forties, 'she first called public attention to Savings Banks by the number and importance of those which she established. This, too, is but natural; for England had, more than any other country, to occupy itself with the condition of the poor, with the evils under which they labour, with the means of remedying those evils and above all of arresting their fearful progress.' The Hamburg institution, which claims to have been the earliest savings bank, was established in 1778. It appears to have been an annuity bank enabling people of small means to contribute regularly for annuities at a certain age. No withdrawals were allowed, so it was hardly of the nature of a savings bank, the real essence of which is freedom of deposit and withdrawal; it ceased to function when Napoleon rifled its coffers. Switzerland had one or two early savings banks, one at Berne established in 1787 and one at Zürich in 1805. The Zürich bank claims to have the longest continuous history of any savings bank in Europe, for the Hamburg bank was later superseded by a different type of bank carried on under a law of 1827. Göttingen and Altona formed similar banks at the beginning of the nineteenth century. Their origin is said to have been due to the influence of Adam Smith's teaching. Little has been recorded of these early continental institutions, which were undoubtedly akin to savings banks. No one, however, has claimed that their influence was more than local, whereas the British experiments were soon the subject of world-wide study.

Patrick Colquhoun, for instance, between April and June 1816, wrote various accounts of his own views on the establishment of provident institutions and supplied details of the starting of savings banks in Great Britain for the information of his friend, Thomas Eddy of New York. Mr. Eddy immediately proposed to a number of his friends that they should start a similar institution in their city. The first meeting was held on 25 November 1816, and on the same day a similar meeting was held in Philadelphia. It was the Philadelphia Savings Fund which was the first to start operations. It opened on 2 December 1816, and was closely followed by the Boston Institution for Saving on 13 December 1816. The New York Bank for Savings

was not chartered until 26 March 1819. All these banks and the vast and flourishing system of the Mutual Savings Bank of America, whatever differences in methods and organization may have developed later, undoubtedly owe their beginnings to the work of the pioneers in the old country.

In many parts of the Continent of Europe the source of inspiration is equally certain. In Holland, the article in the *Edinburgh Review* of 1815, which described the British savings banks and gave directions for establishing similar banks on the Edinburgh model, was translated and printed in 1817. This and other studies of the British system led to the founding of the Workum Savings Bank in 1818, followed by the Rotterdam Savings Bank later the same year.

The founder of French savings banks was that very remarkable citizen of Paris, Benjamin Delessert. His father, Étienne Delessert, had founded the first fire insurance company and the first discount bank in France. Benjamin was sent in his youth to Britain, partly to study Watt's steam engine in Birmingham and partly to profit by a course at Edinburgh University. At Edinburgh he met Adam Smith and came under the influence of the social and economic thought associated with his name, and of the philosophic teaching of Dugald Stewart. He returned to France when the Revolution broke out in 1789 and joined the Paris National Guard. After some fighting as an officer of artillery, he left the army to take up banking, to which he soon added many other activities, philanthropic, financial, and commercial. He was made Regent of the Bank of France in 1802, founded the first cotton factory in France and greatly improved the art of sugar-refining, opening several factories for the purpose. He did much to reorganize national finances. These and many other business and public activities did not monopolize his energies. He had many hobbies and came to be regarded as one of the leading authorities on botany and conchology. He gradually acquired one of the most remarkable private picture galleries in the country. But it was as 'founder of Savings Banks' that he wished to be remembered. Like Dr. Duncan, he is thus described on his tombstone; but he never claimed originality in this respect or disputed the fact that the seed which he planted in Paris was brought across the sea from Great Britain. A few private institutions, bearing such names as 'Caisse d'Épargnes',

'Caisse des Employés et Artisans', 'Caisse des Juives et Orphelins', had existed in France before 1818. Most of these had been of the nature of tontines or life assurance societies and they had not achieved much success. In October 1817 M. Delessert wrote to the Editor of the *Annals of Banks for Saving*:

'We in this country have long been impressed with a sense of the value of these benevolent establishments, which are more useful than any other charities, since they tend to prevent poverty, whilst the majority of others often have a contrary effect. . . . Those who devote themselves to whatever can contribute to the welfare of their fellow creatures have been struck with the great advantages attending the Savings Banks which have arisen in England within these few years; they are delighted with their success and have taken a lively interest in their prosperity. We have procured the requisite prospectuses and information and are in hopes that we shall be enabled in a short time to imitate the honourable and useful example which you and your colleagues have set and which has been crowned with such complete success.'

Soon after this, in May 1818, Benjamin Delessert persuaded the Directors of the Royal Marine Assurance Company, of which he was a member, to agree to establish a savings bank. Many distinguished foundation subscribers were soon found to give substantial financial support to the venture, including the Duke of Orléans (the future King Louis Philippe). The Paris Savings Bank duly opened under the presidency of the Duke de la Rochefoucauld-Liancourt in November 1818. Delessert remained its chief adviser and guide until his death in 1847, and secured the assistance of the legislature in overcoming early difficulties. Other French towns and cities followed Paris. When the French savings banks entertained the Third International Thrift Congress in 1935, the French Government struck a special postage stamp in honour of the memory of Benjamin Delessert, one of the most picturesque and attractive figures in the whole history of savings banks.

Savings banks in Sweden came a little later and arose directly from a Report of C. D. Skogman, Secretary to the Exchequer, drawn up in 1819 and based on a study of the experiences of savings banking gained in England and Scotland. The first savings banks at Gothenburg (1820) and Stockholm (1821) were not linked with the Swedish National Debt Office, as was

at first proposed, but were otherwise mainly influenced by British precedent. The same may be said of those in Norway and Finland and, to some extent, in Denmark. One other illustration from Europe will be sufficient to confirm the claim of Great Britain to be the real centre from which the savings bank idea has radiated. Dr. Friedrich Thausing of Vienna wrote in 1919:

'The English laws of 1817, which dealt for the first time with Savings Bank organisation, became a model for those States on the Continent which had already put the Savings Banks idea into practice; for in Germany and Switzerland the development had taken place without any special assistance from the State. It was, however, the English Savings Bank legislation and the consequent powerful upward trend of the English Savings Banks which exercised the greatest influence on Austria.'

It was even more natural that the British experiment should spread to its own possessions overseas. Mr. Barron Field, an English barrister, took the necessary information to Australia in 1817. He gave the facts to Mr. Robert Campbell, agent for a Calcutta firm trading in cattle, sugar, and spirits. On 17 July 1819, savings banks were opened simultaneously in four centres in New South Wales—Sydney, Parramatta, Liverpool, and Windsor. They became known as 'Campbell's Bank' until an Act of March 1832 substituted a savings bank system under the direct supervision of the State.

These instances are sufficient to show the great influence of the British savings banks in encouraging similar movements throughout the world. The British plan was not followed in every detail. Different methods of management, different arrangements for investing the funds, different relationships between the savings banks and the State and Municipality, emerged in the course of years in different countries. But in the voluntary philanthropic savings bank movement of the post-Napoleonic era, as in the later establishment of a State Post Office Savings Bank in the sixties, no one can dispute that the British initiative was the example which led to great world-wide development.

Chapter VI

EARLY CRITICS IN PARLIAMENT AND PRESS

IF any Members of Parliament thought they had settled the savings bank question for once and all by passing the Act of 1817, they were soon disillusioned. Acts dealing with savings banks were passed in 1818, 1820, 1824, 1828, 1833, 1835, and 1844. Some of them, it is true, became law with but little comment or opposition; others raised heated controversy.

The controversy ranged round two main questions. Was the State right in attempting to encourage thrift by offering an uneconomic rate of interest? If so, how were the wealthy to be prevented from taking advantage of a subsidy intended for the very poor? How much responsibility for possible losses was to be left with the trustees and how much was the State prepared to take on its own shoulders?

It is easy now, in the light of experience, to see that Parliament made mistakes in its treatment of both questions. In dealing with the first, it could not make up its mind between the alternatives of boldly offering a State subsidy to thrift or insisting that savings banks should be strictly self-supporting. The policy of compromise and drift which resulted pleased no one. A 'deficiency' in the Savings Bank Fund was allowed to accumulate and successive Chancellors of the Exchequer made half-hearted efforts to restrict its size by moderate adjustments of the rate of interest, combined with the imposition of limits of deposit so narrow and rigid that they impeded the legitimate growth of the banks. In dealing with the second it nearly steered the whole movement on to the rocks by removing the liability of trustees before it had found means of giving adequate protection to the depositors.

It has been explained that the rate of interest of 3*d*. per cent. per day or £4. 11*s*. 3*d*. per cent. per annum which was payable by the State to the trustees under the Act of 1817 soon proved too high for the Fund to support owing to the rapid fall in the interest level after the French wars. The State, therefore, found itself from the first in the position of having to pay out sums from the Exchequer to implement its promise to the

trustees of savings banks. This caused little alarm or criticism in the early days when the total sums in the hands of the National Debt Commissioners were small. It was thought that the limitation of individual deposits to £100 the first year and £50 in subsequent years would discourage the wealthier classes from taking advantage of the high rate of interest.

But it soon began to be rumoured that the savings banks were being extensively used by people of means and that the limits were being evaded by such means as depositing in more than one savings bank, depositing by ticket or number instead of by name, and, later, by opening accounts nominally in the form of trust accounts but drawn upon freely by the trustees for their own purposes. It is difficult at this distance of time to say how far abuses had crept in. Many of the early ledgers are inaccessible and, where they can be consulted, they often give little information about the occupations of the early depositors. There is, however, sufficient evidence to refute any suggestion that the banks were extensively used by the wealthy. There is also evidence to show that domestic servants were the most numerous of the early depositors. This is not surprising, for domestic servants formed a very substantial section of the town populations during those years, when many of the new manufacturers and merchants were approaching the wealth and emulating the manners of the still flourishing class of landowners. There were more than 670,000 women and girls employed in domestic service in 1831. They were 'probably more than 50 per cent. more numerous than all the men and women, boys and girls in the cotton industry put together'.[1] Wages, of course, were small. Five to ten pounds a year was all that most of them could expect and some women farm servants were still paid £3 a year early in the century. But their board and lodging were assured and uniform was provided. They were independent of fluctuations in the cost of living. The savings banks were welcome as a safe repository for their quarterly or half-yearly pay until they needed it. Many of them deliberately saved for old age spurred, in some cases, by the fear of having to spend their last years in the workhouse. In addition to all this, they were naturally the people to whom the early trustees and managers could most easily appeal for support of the new

[1] Clapham, *Economic History of Modern Britain.*

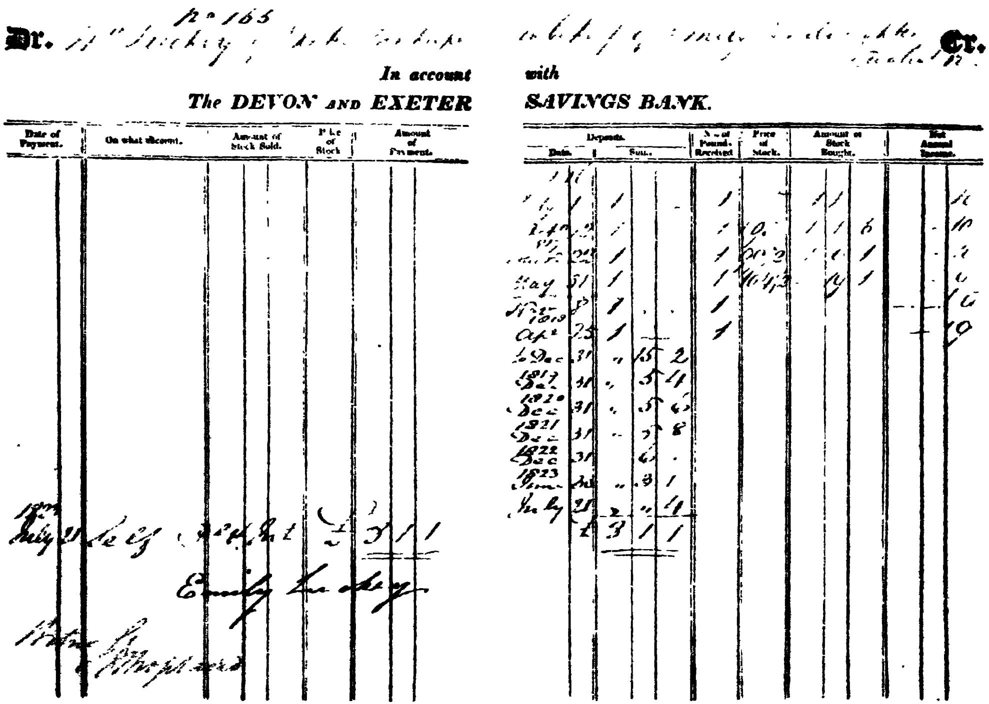
savings banks and they were probably more open to persuasion than the more independent and suspicious factory operatives. There is a likelihood that some of the servants' accounts were opened by their employers. Probably some of the accounts in the names of children related to children of the trustees and managers or of comparatively wealthy parents. The object in these cases was not so much to take advantage of a favourable rate of interest as to train the children in thrift and, at the same time, give the savings banks a good start. Until the funds reached a certain level, it was impossible to meet even the most modest expenses of management out of the narrow margin between the interest received from the State and that paid to the depositors. A few deposits of £100 by members of the board for themselves or their children would hasten the day when a local savings bank would be self-supporting. Yet there is no reason to think that more than a very small fraction of the £2 millions or so[1] accumulated by 1818 was other than the savings of the ordinary working man and woman.

The question, 'Who were the first savings bank depositors?' is of great importance to any student of the social and industrial conditions during these years between 1815 and 1830. It is therefore worth looking more closely at a few of the surviving records which fortunately cover a representative selection of banks. The directors of the York Savings Bank, for instance, classified their depositors at the end of the first year's work (1817) as follows:

Servants	332
Labourers	50
Mechanics, journeymen, clerks, little tradesmen, and very small farmers	150
Persons in lower circumstances not included in above .	60
Depositors in trust for poor individuals	23
Children of persons not themselves proper objects . .	28
Imperfectly described and dubious	27
Total	670

As the directors were not satisfied about the last group, they ordered a special examination. Twenty of the twenty-seven

[1] At 20 November 1818, the figure was £1,697,853 for England, Wales, and Ireland, but the figures for Scotland at this date are not known.



Dr. In account with The DEVON AND EXETER SAVINGS BANK. Cr.

Date of Payment.	On what Account.	Amount of Stock Sold.	Price of Stock	Amount of Payment.

Deposits. Date.	Deposits. Sum.	No. of Pounds Received	Price of Stock.	Amount of Stock Bought.	Net Annual Income.

Specimen page of a pass-book of the Devon and Exeter Savings Bank, showing procedure in operation before 1817, under which depositors became stock holders

were found to be 'proper objects of the institution', two unsuitable and five doubtful.

Brighton Savings Bank secured 282 accounts in the first six months. As one would expect in this popular resort for the wealthy, servants were prominent among the depositors, 26 male and 59 female servants. No fewer than 88 minors and 44 women were represented, but only 15 mechanics, 7 apprentices, 8 tradesmen, 9 labourers, 4 yeomen, an artist, and a soldier. The number was made up by 3 friendly societies and a few other individuals whose occupations are not stated.

Sheffield had 48 artisans or their wives among the first 100 depositors. The 33 single women were probably mostly domestic servants. There were 6 widows, 5 children, and only 4 tradesmen who might not be regarded as proper savings bank depositors.

In Bolton (1818) 57 of the first 200 depositors were in industrial occupations, including 12 weavers. There were 44 servants, 53 children, 14 women, and 5 friendly societies. Of the remaining 27 some were certainly savings bank trustees or their friends, among whom appears the name of the Rt. Hon. Lord Kenyon.

Lincoln Savings Bank had 49 of its first 100 depositors in domestic service; 30 were employed in typical working-class trades; there were 10 children, 7 women, 2 cottagers, and 2 schoolmasters, but apparently no employers or people of private means. At Leeds the first 100 were all working-class depositors and the percentage of servants (38) was rather lower. The 53 wage-earners were well distributed among the trades, tanners (9) and labourers (7) being the largest group, though clothiers, cloth-dressers, buckram stiffeners, and dressmakers showed that this growing but unenfranchised borough was already prominent in the clothing trades.

In Shrewsbury the artisans were poorly represented at first. Over half the first 100 (53) were domestic servants and 21 were women and children. There was one 'gentleman' and only 5 labourers, the remaining 20 being people of small means but superior to the labouring class. The position at Leicester was similar—63 servants, including the 'second whipper-in to the Duke of Rutland', 7 children, 6 labourers, 5 framework knitters, 3 iron founders, 2 apprentices, 2 cabinet makers, 2 cordwainers and a carpenter, a nurse, a worsted maker, a

woolcomber, a dyer, a tanner, a milliner, a hairdresser, a millwright, and a carrier. Of the servants, no less than 9 were servants of Sir F. G. Fowke, Bt., of Lowesby, who may quite probably have opened the accounts for them.

In London (1816), as one would expect, the clerks, shop assistants, and small tradesmen were more strongly represented, but here again servants (24), including nurses, nursemaids, a footman, a groom, and a male cook, formed the largest class in the first 100 accounts. There were 9 small tradesmen and shop assistants, 18 representatives of various skilled trades, 5 apprentices or learners, 9 clerks, 4 women, 17 children, 2 labourers, 4 school-teachers, a musician, 2 publicans and a barmaid, 2 lodging-house keepers, a captain in the Royal Navy, and 1 'gentleman'.

So far as the savings banks in smaller country areas are concerned, there is little evidence to show whether any support was obtained from the hard-pressed agricultural labourer during the first half of the century. In Ormskirk (1822), for instance, the occupations of the early depositors are not recorded, but it is noteworthy that roughly one-third of them were illiterate and had to sign the bank's records with a cross. In Wycombe and South Bucks 18 labourers deposited between November 1818 and August 1819. The remaining depositors were 22 servants, 19 shopkeepers and small farmers, &c., 8 journeymen shopmen, 41 children, 21 women (unclassified), and 7 friendly societies and clubs. The little savings bank at Croston in Lancashire, established in 1818, had the following depositors in 1827:

Farmers	13	Labourer	1
Servants	17	Shopkeeper	1
Mariners	4	Children	24
Artificers	7	Charities	13
Clerks, &c.	7	Friendly society	1
Weavers	9		

The amount at credit was £3,483, but, whereas the artificers' accounts averaged £84 a head and the servants' £38, the weavers' only averaged £6.

In Scotland some information is available about two of the savings banks started in 1815. Dundee had 48 depositors on the first day of opening, of whom 40 were men and 8 women.

Only 25 of the men are described and these include 6 shoemakers, 4 weavers, 3 wrights, 2 rope-spinners, 2 watchmakers, together with a printer, mason, tinsmith, gardener, flesher, porter, sailmaker, and flaxdresser. Perth Savings Bank noted particulars of the occupations of 78 of its first 100 depositors. Linen and cotton mills and boot- and shoemaking were the chief trades of this town of some 18,000 inhabitants and here again the savers were a representative lot. There were 17 servants, 17 weavers, 7 shoemakers, 4 labourers, and the rest were mainly artisans. Not more than two could have been other than genuine working-class depositors. The Aberdeen Savings Bank, also opened in 1815, has no classification records before 1820. Of the first 100 depositors in that year 51 were domestic servants and 4 farm servants. Four accounts at least seem to have come from seamen or fishermen, but most of them were from the usual skilled trades.

In Belfast it is recorded that the following occupations were found among the 80 depositors who came to the bank on its opening day, 5 January 1816—labourer, servant, schoolmistress, cotton carder, carpenter, carrier, engraver, printer, clerk, paper mill operator, bleacher, sawyer, cotton spinner, gardener.

These records, incomplete though they are, are sufficient to give a reasonably accurate answer to the question, 'Who were the first savings bank depositors?' From a quarter to a half, in the early days, were domestic servants, the remainder mainly artisans, small tradesmen, women, and children. There were few unskilled labourers. The number of richer people depositing was not substantial; their individual contributions were naturally larger, but the statutory limits of deposit prevented any serious abuse. The proportion of domestic servants decreased steadily as the century wore on. In Aberdeen, for example, the percentage of servant depositors had decreased from 51 in 1820 to 14 in 1850 and 10 in 1900. By 1854 over half the Sheffield savers were artisans and the servants were probably from 10 to 15 per cent. of the whole. In London the percentage of domestic servants declined from 24 to 12 between 1816 and 1850. Ormskirk had 21 domestic servants in its first 100 depositors in 1850, but the labourers were now coming into the picture with 15 accounts. An interesting classification relating to a rather later date is Dunfermline, which secured 1,770 male

and 1,502 female depositors during its first fourteen months (1837–8). The men were grouped as follows:

Weavers	413
Mechanics and operatives	305
Coal hewers, miners, quarrymen and labourers	270
Farmers, farm servants and agricultural occupations	225
Minors	148
Miscellaneous designations	320
No designation	89

Less than a quarter (341) of the women were domestic servants and 149 were farm servants. Kirkcaldy Savings Bank (1839) also showed a relatively small proportion of servants—14 domestic and 3 farm servants in the first 100, but 39 weavers and a very mixed collection of artisans and labourers. Edinburgh's second savings bank (1836) attracted 50 artisans, mostly printers, tailors, and shoemakers, among its first 100 depositors and only 7 domestic servants.

From the earliest days the savings banks were clearly securing the nest eggs of those people of small means for whom they were instituted. A few cases of deposit by persons for whom the savings bank, with its preferential rate of interest, was not intended, can easily be magnified out of all proportion when there are no reliable statistics to check the allegations. This seems to have been what happened. The Government was puzzled. It could not ignore the criticism; nor did it wish to seem unsympathetic to a valuable new movement. Joseph Hume was almost alone in contending that the right course was to reduce the rate of interest to an economic level. Successive ministers tried to deal with the question by restricting deposits. In 1818 it was enacted that no one could deposit more than £10 by ticket or number without disclosing his name. The amiable Vansittart refused to consider a reduction in interest.

'4½ per cent. was the interest allowed, but, after the deduction for the management, it could not be said to exceed 4 per cent., which was a rate of interest as moderate as could be allowed to be an inducement for persons of small property to invest their money. . . .To a certain extent this plan might be inconvenient to the public and might take from the public purse from one to one and a half per cent. but he was certain that the House would not think the amount of from six to ten thousand a year too much in aid of a plan which

tended so much to the industry and morality of the people in general. He confidently hoped that the benefit to be derived would not be threefold or even tenfold but would extend to a hundredfold.'[1]

The abler mind of 'Prosperity' Robinson gave attention to the matter in 1824. He abolished deposit by ticket or number, drastically reduced the limit of deposit to £50 the first year, £30 the second, and £200 in all, required depositors to sign a declaration that they had not accounts in another savings bank and removed from charities the power they had obtained four years earlier of depositing in these savings banks. But on the question of the rate of interest he took the same line as his predecessor. 'He would feel most reluctant to weaken the confidence which the public reposed in these Banks and which had rendered them one of the greatest blessings ever conferred upon the Country. Though in some instances richer persons might have availed themselves of their advantages the great majority of the contributors would be found to be the industrious poor.'[2]

Early in 1828 Henry Goulburn succeeded to the Exchequer. He was an able financier with a devotion to his master Peel almost as great as that of George Rose to Pitt. It fell to his lot during his two periods as Chancellor to be responsible for the two most important Savings Bank Bills between the Act of 1817 and that of 1863—those of 1828 and 1844.

He had not been in office many weeks before Joseph Hume was on his tracks. It has been said of Hume that he 'spoke longer and oftener and probably worse than any other private member, but he saw most of the causes he advocated succeed in the end'. Coming from a humble home in Montrose he had made a fortune in India in a comparatively few years. He returned in the early years of the century to study conditions in his own country and soon showed an active and independent mind. He helped to start the St. Martin's Place Savings Bank in 1817 and wrote an excellent pamphlet advocating the extension of savings banks. He could therefore claim to be a friend of the banks.[3] He also claimed to be a friend of the working classes and gave valuable support to the reform agitation of Francis

[1] *Hansard*, March 1818. [2] *Hansard*, 7 May 1824.

[3] 'I was one of the earliest and most active in promoting them', he said to the House in 1828, 'and therefore cannot be actuated by any hostile view in the present proceeding.'

Place and his colleagues. But his parliamentary reputation was based on his skill in harassing successive Chancellors of the Exchequer on questions of national economy. He kept a staff of clerks to analyse state expenditure and served on more Committees of the House in his time than any other member.

Keen as he was on seeing savings banks grow, he would not allow that they should do so at the expense of the public exchequer. He called Goulburn's attention to the fact that the savings banks were costing the State £40,000 to £50,000 a year. This seems to have been an understatement, for the excess of interest paid to trustees between 1818 and 1828 over that received from investments was £744,363 or over £67,000 a year. What was the right honourable gentleman going to do about it?

Mr. Goulburn was going to bring in a Bill to consolidate and amend the savings banks laws. This Bill—usually known as 'Palmer's Bill' because, though in effect a government measure, it was introduced by Mr. Charles Palmer, a private member for a Surrey constituency—met Hume half-way. The rate of interest payable to trustees was to be reduced from 3*d.* to 2½*d.* per cent. per day, which in terms of an annual rate meant a reduction from £4. 11*s.* 3*d.* to £3. 16*s.* 0½*d.* per cent. The maximum interest payable to depositors was to be £3. 8*s.* 5½*d.* This certainly reduced the loss to the State but did not stop it. For 3 per cent. Consols were already over 80 and the price was still moving upward. As the reduction in rate was not sufficient to put an end to the growing deficit on the Savings Bank Fund, a further attempt to cut down limits of deposit was made. The sum which might be put into the savings bank in a year was reduced from £50 to £30, the total sum from £200 to £150. No interest was to be paid on balances exceeding £200. Newly established friendly societies were restricted to deposits of £300 in all. Charities were again permitted to invest their funds but were also limited to £300. One member at least (Mr. F. Lewis) thought the proposed restrictions were not drastic enough. The danger to the State from sudden withdrawals in times of war or panic was such that he would not have the Government accept more than £20 millions in all. The trustees should invest the excess themselves. The Chancellor resisted the proposal, which was dropped.

The Bill passed and Hume let the matter rest for ten years, during which the only new restriction imposed was a clause in an 1833 Act withdrawing the permission granted five years earlier for sums withdrawn during the year to be redeposited. This seems to have been intended as a deterrent against panic withdrawals. With the same object, Lord Althorp proposed, when the Bill was introduced, to require one month's notice of all withdrawals. This would have been a most retrograde step and the credit for 'expunging this and other obnoxious clauses' seems to belong to the trustees of the Hull Savings Bank, who circularized the banks and organized opposition. This 1833 Act of Lord Althorp was mainly concerned with facilities to purchase annuities through savings banks, about which more will be said later.[1] During the debates on the measure, Mr. Thomas Attwood, one of the members for Birmingham, son of a Birmingham banker and a prominent advocate of paper currency, made a most violent attack on savings banks. He claimed that they were instituted (1) to draw capital to London to bolster up the funds; (2) to give the Government the power of putting their hands into the pockets of the people; (3) to enable them to scourge the people (cries of Oh! Oh!). On another occasion he said the savings banks were 'a sort of screw in the hands of the Government to fix down the working classes to its system'. He thought the small saver would do better to use the country banks. He found no support and Mr. Pease pointed out that the small county he represented had been the loser to the extent of £600,000 or £700,000 by country banks which had failed.

In 1838 Hume returned to the attack. The Savings Bank Fund was now nearly £20 millions and the loss to the State was again increasing as Consols now stood at 93. Hume pointed out that the State had subsidized the savings banks by nearly a million and a half pounds in all. Security was more important to the depositors than the rate of interest and the rate should not be greater than could be obtained in the public funds. Moreover his researches suggested that another abuse had been taking place in the administration of savings bank funds. The National Debt Commissioners by selling stock and taking up Exchequer bills could change the constitution of the National

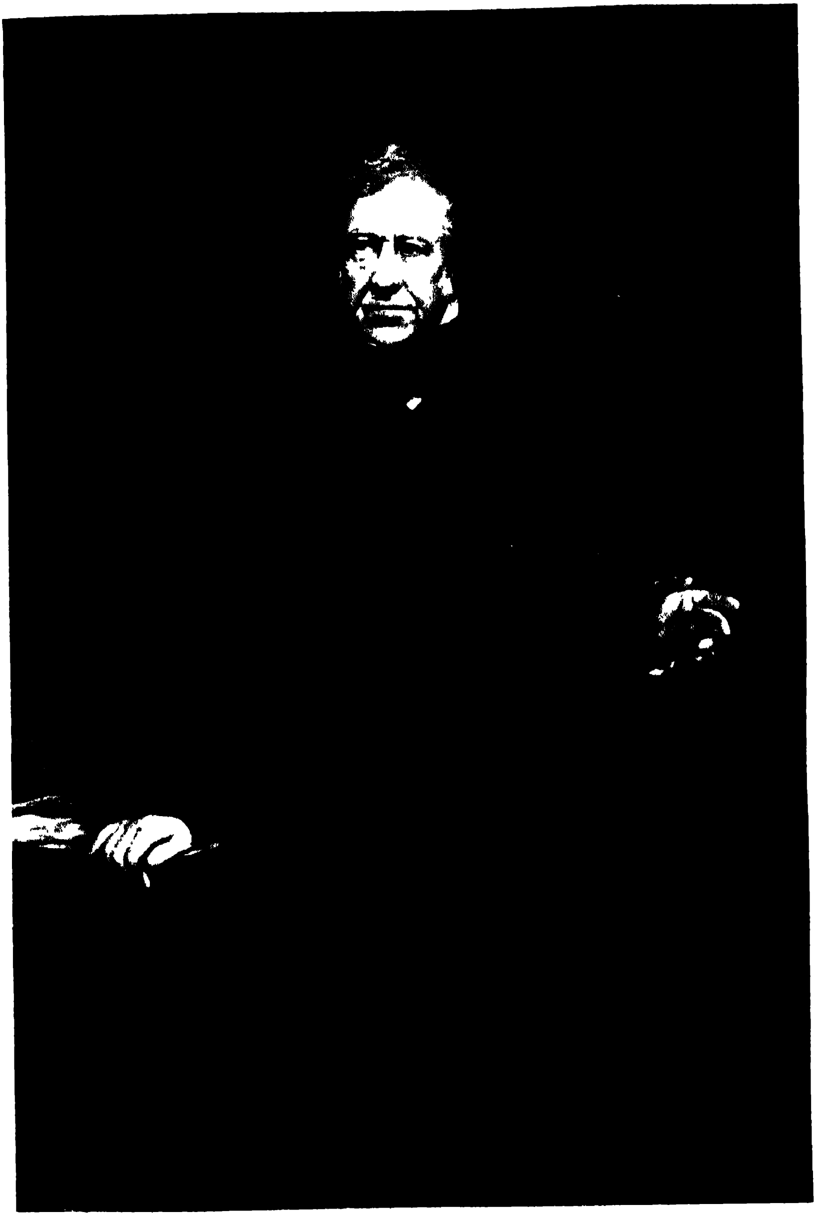
[1] See pp. 112–15.

Debt without the consent of Parliament. Sir F. T. Baring, who was now Chancellor of the Exchequer and whose father had helped to start the London Savings Bank, seems to have ignored the allegations about the manipulation of the National Debt. He declined to lower the rate of interest, though he admitted that this might become necessary at some later date. Meanwhile he thought that a proposal that savings bank depositors should only be paid the market rate of interest would be a death-blow to the savings banks.

'There was some loss to the public, but a still greater injury to the Community would arise from disturbing the confidence which was felt in the security of Savings Banks. At the present moment, when the prospects of the country already exhibited symptoms of decided improvement, he would not have it attributed to him by persons out of doors that for the purpose of effecting a saving in the public expenditure, the mode adopted by Parliament and recommended by the Government was to cut down the interest payable to the poorer classes who were the main depositors in Savings Banks.'

Goulburn supported the Chancellor and the House negatived Hume's motion for a reduction in the rate.

Hume returned to his researches into the murky past of Government finance. In 1842 Goulburn was again at the Treasury and had to face a motion from the indefatigable member for Montrose to appoint a Select Committee 'to inquire into the proceedings of the National Debt Commissioners and the Lords Commissioners of the Treasury with the moneys of Savings Banks in the years 1836–41 by which proceedings a large sum had been added to the National Debt without the sanction of Parliament'. The procedure was like this, according to Hume: when the Chancellor of the Exchequer wanted £100,000 and there was a deficiency in the revenue, he directed the National Debt Commissioners to take £100,000 of the money deposited in savings banks and to apply that to the purchase of Exchequer bills. Thus so many Exchequer bills were taken from the Government, and, at the end of the quarter, the National Debt Commissioners were directed to calculate the current rates of stock and to pay over to the Commissioners of Savings Banks the amount borrowed—adding by this means to the funded debt of the country £100,000. The total thus added from 1836 to 1841 was £5,395,569. Mr. Spring-Rice was the



JOSEPH HUME, M.P., F.R.S., 1777-1855

(Reproduced by permission of the National Portrait Gallery from the painting by John Whitehead Walton)

worst offender and was, in Hume's opinion, guilty of sleight of hand in his dealings with the debt. Years later Mr. Spring-Rice, as Lord Monteagle, was foremost in demanding a curtailing of the Chancellor of the Exchequer's power to deal with savings bank funds and claimed that other Chancellors had acted much more unwisely than he had.

Goulburn knew that the House was not a little tired of Hume's constant requests for committees and his dissertations on finance and brushed the request lightly aside. 'To allow the Hon. member to go into those minute details which he knew the Hon. Member was apt to indulge in, to allow him to examine all sorts of functionaries connected with Savings Banks was a course to which he could not accede and which he thought it was his bounden duty, as far as he could, to prevent.' Mr. Baring, who was involved in the allegations, demolished Hume's figures and pointed out that a change from unfunded to funded debt did not give rise to an increase of debt, as Hume seemed to imagine. In the end Hume could only raise 34 supporters against 173 for the Government.

But Hume's agitation for a further reduction in interest bore fruit in 1844. Goulburn had set the banking system in order, as he thought, with the Bank Charter Act. He proposed to set the savings banks in order with another Savings Bank Act. The proposals presented in the original Bill were indeed drastic. The annual limit was to be reduced to £20 and the total limit to £120. The rate of interest payable to the trustees was to be reduced from £3. 16*s.* 0½*d.* to £3. 0*s.* 10*d.* and the maximum rate payable to depositors from £3. 8*s.* 5¼*d.* to £2. 13*s.* 2*d.* per cent. Only simple interest was to be allowed on sums amounting to £150. To meet suggestions that the limits of deposit were being evaded by the opening of accounts ostensibly in trust form, trust accounts were to be abolished.

The other important clauses in the 1844 Bill were mainly concerned with tightening up the safeguards against fraud and dealing with the acute and vexed questions of the liability of trustees to which reference will be made later.[1] In fact Goulburn's Bill showed that the temper of the Government and its attitude to savings banks had changed considerably in the course of a generation. It was no longer a question of finding

[1] Chapter VII.

new ways of encouraging thrift. The Government was uneasy at the loss to the Exchequer caused by its own act in fixing an uneconomic rate of interest; it was alarmed at the tales of losses and mismanagement in a few of the savings banks up and down the country and, instead of trying to encourage the growth of a comprehensive savings bank system on sound lines, it determined on a policy of drastic restrictions which discouraged the trustees of the banks without curing the defects of the system.

The introduction of the Bill had one immediate and salutary effect. It woke up the savings banks to their danger and to the need for collaboration to meet it. On 24 May 1844, the Scottish savings banks met together in Edinburgh to consider the position. They adopted two mild resolutions of protest—one suggesting that the reduction in interest should be less drastic and that the rate of interest should in future be fixed annually according to the price of the funds; the other suggesting that the reduction of the annual limit from £30 to £20 would 'exclude a large number of legitimate depositors'. These views were embodied in a Memorial to the Chancellor of the Exchequer. It is doubtful if they would have had much effect had it not been for the energetic action of the St. Martin's Place Savings Bank. The trustees and managers met on 23 May under the chairmanship of Lord Kenyon, and passed a series of outspoken resolutions. Not content with defence, the trustees denounced the National Debt Commissioners, whom they accused of gross mismanagement and improper exercise of their powers, resulting in a loss to the country. The Government was trying to visit the consequences of its own misconduct upon the poor and helpless depositors.

The St. Martin's trustees next invited representatives from the other savings banks in England, Scotland, and Ireland to meet and discuss the action to be taken. The credit for arranging this first joint meeting for common action belongs to Mr. Edward Boodle, the comptroller and secretary of the St. Martin's Place Bank. He had been called to the Bar and first came to the St. Martin's Place Bank as auditor in 1827. He became comptroller and secretary in 1841 and for the next twenty years or so would probably be regarded as the leading figure in the ranks of the paid officers of the savings banks. On this occasion his intervention was timely and met with consider-

able success. In later years his views and those of his Board of Management were equally pronounced but narrower and at times obscurantist and the real statesmanship came from the north. The leaders in the north, the savings banks of Glasgow, Edinburgh, Manchester, and Hull, were rewarded by seeing their banks forge ahead of the London banks as the years went on.

The meeting at St. Martin's in 1844 passed a number of resolutions condemning the Bill root and branch. Sir Henry Willoughby, Bt., M.P., of Baldon House, Oxford, a manager of the St. Martin's Place Savings Bank, who presided, was a staunch friend of Trustee Savings Banks in Parliament throughout these years and the critical years ahead. He had been a Member of Parliament for Yarmouth, Isle of Wight, before the Reform Act, and when that constituency ceased to exist he was returned for Newcastle-under-Lyme. In 1847 he was elected for Evesham and continued to represent that constituency until his death in 1865. Little is known of his interests beyond his constant advocacy of Trustee Savings Banks and that he 'rendered much good service in the matter of simplifying the national accounts'.[1] He lived to see the Trustee Savings Banks get over their worst difficulties and he was one of those particularly concerned in piloting the important Act of 1863 through the House of Commons. The resolutions asserted that the rate of interest proposed in the Bill 'would be most detrimental to the interests of the industrious classes, for whose benefit these institutions were more especially established, and tend to the withdrawal of their deposits in the hope of obtaining a larger interest from less secure sources.' The proposal to abolish trust accounts was pronounced inexpedient and so was the prohibition of re-deposits of sums withdrawn during a year. Almost every clause was criticized and one or two constructive suggestions were put forward. A 'monster deputation' was appointed to put the resolutions before the Chancellor of the Exchequer.

Goulburn was forced by the weight of the arguments and their skilful presentation to withdraw the first Bill. He produced a new Bill; but his troubles were not over, for the St. Martin's Place Savings Bank retorted with ***Points to be urged in discussion on the new Savings Bank Bill***, a leaflet circulated extensively among

[1] *The Complete Baronetage.*

Members of Parliament. Further amendments were secured and, although the Act, which received the Royal Assent on 9 August 1844, was generally unpopular with the savings banks, it bore little resemblance to the first Bill.

The 1844 Act reduced the rate of interest payable to trustees of savings banks to 3¼ per cent. and the maximum rate payable to depositors to £3. 0*s.* 10*d.* per cent. These were considerable reductions on the existing rates of £3. 16*s.* 0½*d.* and £3. 8*s.* 5¼*d.*, but the firm stand of the savings banks against the original proposals had secured concessions of 4*s.* 2*d.* and 7*s.* 8*d.* per cent. The proposals further to restrict the limits of deposit (Hume pressed for a £20 annual limit) and to allow only simple interest on deposits of £150 and over were dropped. The Chancellor, moreover, abandoned his expressed intention of abolishing all trust accounts in savings banks, contenting himself with the stipulation that the beneficiary must join with the trustees in signing for sums repaid—a stipulation which remains to-day, though it is generally thought to have outlived its usefulness now that limits of deposit are so much wider.

The great success of combined action in 1844 did not lead directly to the institution of any arrangements for the regular interchange of views between the banks or for safeguarding their common interests. They were still intensely individualistic in outlook and it was not until they were faced with a major crisis over forty years later that they combined to form an Association for such purposes. There was, however, one useful result of the personal contacts which had been made during the negotiations. A *Savings Bank Circular* was published monthly from 1 October 1844, at threepence per copy (later fourpence), until in September 1847 it had to cease through 'paucity of subscribers'. While it lasted the *Circular* did a lot to increase interest in the history and problems of the movement as a whole. It was a well-compiled, interesting, and comprehensive publication. The editor was Mr. William Hatton, at that time assistant-secretary of the Reading Savings Bank at a salary of £65 a year. Although he reaped no financial reward for his considerable labours in contributing to and editing the *Circular*, it brought him to the notice of savings bank trustees as a result of which he was appointed to investigate some fraud in the Brighton Savings Bank. He became actuary of the Brighton

Bank in 1849 and continued to be active in the wider aspects of the movement. He presented a draft Bill, intended to improve the administration of savings banks, to the Select Committee of the House of Commons appointed in 1858.

The cooling off of parliamentary enthusiasm for the savings banks was reflected in the Press, which had been such a powerful supporter of the original project, with the notable exception of Cobbett's *Register.* The most extraordinary and virulent attack came from *The Times* in a series of articles in the autumn of 1844. The articles were not so much concerned with the administration of the banks or the cost to the public purse as with the whole *raison d'être* of working-class thrift. At this time the 'Thunderer' was a self-constituted advocate of the poor against official schemes for their betterment or improvement. So far from thinking the growth of savings bank deposits a good thing, it saw in it only fresh evidence of the servility of the labouring classes. The idea of the promoters of savings banks was to keep the poor off the rates and so save their own pockets. So the poor were urged to hoard their money by putting it in the public funds or to secure an annuity on the chance of old age. 'There cannot be two modes of investment less interesting, less like husbandry, less morally improving, less social, less suited to the condition of mind of a labourer.' The natural inclination of the agricultural labourer was to get a few things around him—a better cottage and garden, a piggery, poultry, an orchard, an acre or two of land, a cow, a horse and cart, a little homestead, a very small farm, and so on into the realms of rural ambition. 'But how can we expect a man so circumstanced, so constituted, to save chiefly and to much purpose in that dullest and most abstracted form, in a county friendly society, or in a Savings Bank.' How the labourer was to make these tangible investments without first saving his money was not made apparent.

No doubt much of the savings bank propaganda was still directed mainly to saving for old age and against the 'rainy day' and the more modern emphasis on saving for the more cheerful forms of expenditure which contribute to happiness and a fuller and more prosperous life was lacking. But it is difficult to believe that many were impressed with the trend of the arguments.

'When he has saved his £50 or £100, then the greatest difficulty comes. What is he to do with his money? He has caught a Tartar.

His usual course is a very natural one, because the first that offers —to open a public house. He does so, and generally and happily loses his money. If he opens a shop, he soon finds he is not commercial enough, and fails. Small farms are obsolete. A labourer with £200 in his pocket at the age of 60, do what he will, has a very fair prospect of the union workhouse before him. He may, to be sure, shut his doors against all his kith and kin, and buy a selfish annuity with the sum, which will just keep him while he rots and dies . . . so unnatural is mere pecuniary saving to the labourer, that the cases which do occur have generally something exceptional and monstrous about them, so as not to be, in their actual circumstances, even tolerable models for imitation.'

Two of these 'exceptional and monstrous' instances of pecuniary saving are analysed in *The Times* articles.

'A labourer, 60 years of age, by hook or by crook, has saved £500. We know such a case. The £500 is the plague of his life. It would be a mercy to swindle him out of it, except that he would probably fret a good deal at the loss. Could he forget it, he would be both a happier and a better man. To begin with, it is a guilty possession. His father is maintained by a distant union, his sons and daughters are all but forbidden his cottage.'

The unfortunate labourer is pictured as trying without success to find a remunerative investment for his money and being 'forced to put it in the funds'. He can find nothing useful to do with it and the money proves 'a burden of which the owner will only be relieved when he throws it on the ground. When he dies, his children, without estate, occupation or husbandry, will squander it, not in dissipation, but in the mere feebleness and incontinence of ingrained poverty.'

The second case is of the domestic servant, aged 55 or 60, who finds herself incapable of further work and has saved £80.

'Very creditable in her, of course, and very stingy she must have been to her nephews and nieces to do so much. But what is she to do with her £80? If she can make up her mind to part with the principal—and it is a very pardonable tenacity which prevents her from doing so—she could purchase £8 a year or 3*s*. 0*d*. a week. This is a shilling a week for food and clothing, after lodging and fuel have been paid for. While she is looking about for a use to put it to, she lives on it and it wastes away. All her relatives are in the labouring class. There is not one of them who, in return for her little capital, or in the hope of its reversion, can offer her a domestic asylum where she will

be useful and respected. Such a sum would insure her the title of Madame to the end of her days across the Channel and quite set up her peasant brother and nephews. It would be a mine of agricultural wealth. On this side of the Channel it would be a snowball in the sun.'

The advocate for savings banks on this occasion was the *North British Review*, which had little difficulty in exposing the fallacies underlying the articles in *The Times*. Savings might not succeed, unless in a few exceptional cases, in turning a labourer or mechanic into a farmer or tradesman or manufacturer.

'The principal design of the Savings Bank, and all its most valuable purposes are served if the money, withheld from vicious or unnecessary expenditure at one period of life, is in reserve for needful subsistence or additional comfort at another period—even though during the latter period it should melt away like a snowball in the sun, and the last fragment or farthing of it should disappear with the final payment for the burial of him, of whom it could be said at the termination of his honourable career, that his own hands ministered throughout to his own necessities and to those who were with him.'

The writer pointed out that savings would make the working classes less the victims of fluctuations in the labour market. Without them, the workers were forced to work extra hard in times of low wages to earn a bare subsistence and so intensify the glut which was itself the cause of low wages. The possession of even a small capital sum would, moreover, tend to raise wages by making the workmen less bound by necessity to accept any sum offered by the master.

'Let us imagine a negotiation for wages going on everywhere between master-manufacturers and the operatives whom they employ; and it makes all the difference in the world to the result—whether, in dealing with these operatives, they have to deal with men on the brink of starvation, or with men standing before them in an erect and independent attitude, based on the conscious security of a sustenance already in their hands for several months to come.'

The writer in the *North British Review* sees at this stage that his argument about the raising of wages will not be popular with all his readers, many of whom were alarmed at the combinations to raise wages which were widespread and persistent already. He comes down 'ardently and enthusiastically' on the side of

the labourers in 'making good their ascent to a far larger remuneration for their work than they at present earn and a far higher state of comfort and efficiency than they at present enjoy', even though 'capitalists were to be abridged in their profits and landlords to be greatly abridged in their rents'. The rise in wages and in the standard of living would, the writer thought, come through savings and not by combination; nor would profits suffer because well-paid and thrifty workmen were worth far more than the ill-paid and dissipated. The article concludes with a reassertion of the old savings bank thesis of thrift versus the Poor Law. In other words the popular slogan of 'High wages and no Poor Law' was sound, but thrift was the necessary corollary.

The Times articles, appearing as they did when the 1844 Bill was under discussion, naturally attracted a good deal of attention and caused some resentment both on the part of the keen supporters of the savings banks and their more moderate critics. Lord Monteagle, a former Chancellor of the Exchequer, raised the matter in the House of Lords and suggested that the articles were 'calculated to impede the object of the Government in the Savings Bank Bill, to excite alarm among Savings Bank depositors and to prejudice the interests of depositors and the public interest'. However, the Lords wisely did no more than air their views.

These lengthy discussions in the Press on the social and economic implications of saving show that the growth of the savings banks was regarded in the forties as one of the important signs of the times. If there were critics among the politicians and the capitalists, there were also critics in the working classes, some of whom still retained the suspicions of Cobbett and the early Chartists as to the sincerity and disinterestedness of the moneyed philanthropists on whose support the spread of the movement still depended. In the early forties we hear of the spread of the new type of friendly societies with an elaborate ritual which set out to appeal to the workers as a more attractive and democratic alternative to the savings banks. There was an 'extraordinary increase of plausible schemes for mutual benefit, rendered attractive, not only by their novelty, but by their ingenious adaptation to prevailing tastes and by the prominence and publicity given to them'.[1] Many of these

[1] *Report of Hull Savings Bank*, 1840.

friendly societies had become large and well-organized institutions, like the Manchester Unity of Oddfellows, which by 1845 had a quarter of a million members. These societies were doing an excellent work. But there was also a very large number of small societies of doubtful stability, whose methods and management were an easy target for critics.

There were about a million and a half friendly society members in the late forties. Yet the savings banks continued to grow and extend their hold. In 1844 there were 1,012,047 savings bank depositors with £27 millions to their credit. Those who came into contact with the savings banks found the managers and officials anxious and willing to help and placed implicit confidence in their advice. The more highly developed bank began to improve business methods with the aid of a full-time highly trained staff. The best way to encourage thrift and promote confidence was to give a good service and especially to give facilities for speedy withdrawal without question. The old-fashioned actuary, however, whose interest was in thrift and the moral welfare of his depositors and who received only a nominal fee for his part-time services, still flourished, particularly in the country areas. Of such was Rev. Alexander Silver, actuary of the Stonehaven Savings Bank in Kincardineshire in the middle of the century. 'Fit are ye needin' the siller for, lassie?' he said to one of his young depositors who had come to draw two or three pounds from her account. 'A new jacket', says she. 'Yer jaiket's gweed eneuch. G'wa hame wi' ye.' And home she went.

Charles Dickens, who had first-hand knowledge of savings banks, as he was a depositor of trust funds in the Finsbury and City of London Savings Bank, testified through the mouth of Mark Tapley to the confidence placed by the small saver in his bank. When Martin Chuzzlewit was at the lowest ebb of his fortunes in America, Mark produced the little bag containing his savings which he had withdrawn before leaving England. ' "How much is there here, did you say?" asked Martin. "Thirty-seven pounds, ten and sixpence. The Savings Bank said so, at least; I never counted it. But *they* know, bless you!" said Mark, with a shake of the head expressive of his unbounded confidence in the wisdom and arithmetic of those institutions.' So Dickens wrote about the time when the 1844 Savings Bank

Bill was being discussed and the 'Thunderer' was fulminating against the practice of thrift through such uninspiring and anti-social organizations. The Mark Tapleys and Susan Nippers ('I've got money in the Savings Bank, dear, and needn't take another service yet') continued to save and the Trustee Savings Banks slowly forged ahead.

There was one side of their work, however, in which progress was disappointingly slow—the annuity side. Although there can hardly be said to have been a philosophy of thrift before the days of Samuel Smiles, a good deal of theorizing had taken place. The theorists, whether their object had been to keep the poor off the rates or genuinely to increase their comfort and happiness, had seen only one logical solution of the problem of old age—the saving of sufficient money during working years to buy an annuity. A great deal of study was devoted to annuities in the eighteenth century. The ingenious Mr. Tonti, a seventeenth-century Italian banker, secured many converts abroad to his system of tontines, under which a group of persons contributed towards an annuity, which continued to be payable until the last person of the group died. The fortunate survivor, therefore, secured a much larger annuity than he could have obtained on his own sole life. This agreeable gamble appealed to those members of the middle and upper classes who had a reasonable chance of longevity. Tontines had a certain vogue in Great Britain towards the end of the eighteenth and up to the middle of the nineteenth centuries. Meanwhile, there were others of a mathematical turn of mind, like Dr. Richard Price and Mr. Baron Maseres, who were seeking a way of enabling the industrious classes to benefit by annuity schemes. Though the Dowdeswell Bill was rejected by the House of Lords in 1773, the quest continued and much good work was done during the next half-century in improving the methods of calculating annuities and preparing reliable tables.

Private assurance societies began to offer attractive terms to the well-to-do, but the attempts of friendly societies to follow their example for their humbler clients were almost always unsuccessful, owing to inadequate data or distrust of the stability of the societies. The State entered the annuity field in 1808 and in 1829 small Government annuities were made available to the general public through the National Debt Office. These

annuities were based on the price of 3 per cent. Consols and a fair, middle-class business resulted; but the State lost a good deal of money on the venture in early years, more through fraud, it appears, than through faulty calculations or finding with Mrs. Dashwood that 'people live for ever when there is any annuity to be paid them'. The scheme was not without its critics. It aroused little or no interest in the industrial classes.

The spread of savings banks gave rise to new hopes of popularizing small annuities and the idea was strongly canvassed in government circles by a Welshman, Mr. Cadogan Williams. He succeeded in persuading the Government to appoint a Select Committee, under Lord Milton, to report upon the matter. The Milton Committee, which reported in June 1829, accepted the suggestion of Mr. Higham, comptroller of the National Debt Office, that a depositor in a savings bank should be permitted at the close of each year to transfer the whole or part of his deposits to an annuity account for the purchase of a deferred annuity. The government actuary calculated that a weekly payment of 2*s.* continued from 20 to 30 years of age would secure a life annuity of £20 a year at the age of 55, if the tables were based on a 3¾ per cent. rate of interest. A fixed rate of interest was considered preferable to a rate fluctuating according to the price of Consols, if such deferred annuities were to make a wide appeal. It was feared, however, that even these terms would not overcome the objections of the person of small means to gambling on his chance of survival to a definite age or to losing his savings if he were unable to keep up payment of the premium. The Committee, therefore, thought that a provision should be introduced into the scheme, under which the sums payable would be returnable to him or his executors, but without interest, should the annual payments lapse before the annuity became payable owing to default or death. This well-intentioned provision was probably a mistake, for it very considerably increased the cost of a deferred annuity. Nor, as will be seen, did it make the annuities popular.

The Committee's recommendations served as the foundation for the first Savings Banks Annuity Act, introduced by Lord Althorp in 1833 and carried through both Houses without much serious opposition. Immediate as well as deferred annuities of from £4 to £20 could in future be bought through

a savings bank or specially constituted annuity society, which was entitled to make an initial charge of 2*s*. 6*d*. and an annual charge of 1*s*. for expenses. The immediate annuities were also computed on a 3¾ per cent. interest basis, another defect in the Act, as it set savings bank annuities in competition with annuities purchasable through the National Debt Office according as the rate of Consols, which governed the latter, favoured one or the other. As the price of Consols tended on the whole to rise, savings bank annuities became the better bargain and this, in its turn, involved the State in a growing loss—a fact which did not escape the attention of Mr. Hume.

The reactions of the savings banks to this Act were mixed. It was not generally popular outside London. The trustees of the Hull Savings Bank openly opposed it, maintaining that government annuity business should be dealt with by separate annuity societies and not mixed up with savings bank business. Perhaps the Government might have made the annuity business more attractive to the savings banks, which were expected to encourage the alienation of their deposits to the annuity fund at a time when they were struggling to build up their own funds. The forms were complicated and the procedure slow and troublesome to untrained officials, whereas the fee for transacting the business would barely cover the cost of stationery. Be that as it may, at the end of ten years only 66 out of nearly 600 savings banks had undertaken annuity business and only £8,250 a year of deferred annuities had been purchased. Immediate annuities were more popular, but only a relatively few banks could show much business on either head. One London savings bank, however, the St. Clement Dane's Bank, specialized in annuities and by 1856 had 4,477 annuitants on its books at the total purchase price of £77,860. This was far and away above the number of any other savings bank, Edinburgh having 673 annuitants, Plymouth 658, Manchester 459, and Bath 378.

The 1833 Act remained substantially unaltered until 1853, though the 1844 Act increased the maximum annuity from £20 to £30 and made it clear that both husband and wife could purchase up to the maximum. The charge made by the banks was also increased in 1844 to a variable scale from 5*s*. to 30*s*. in all, according to the size of the annuity. The editor of

the *Savings Bank Circular* thought any charge to annuitants 'extremely censurable'. The 1853 Act removed the criticism of the high cost of deferred annuities by permitting such contracts to be entered into at lower rates 'without money returnable'. The chief innovation in this Act was the introduction of a modest provision for life assurance. This had been suggested in 1847 by Mr. Poulett Scrope, M.P., at the instance of Mr. Cadogan Williams, but the Bill he then introduced failed to pass into law. The 1853 clause was doomed from the first, for life assurance could only be contracted for by those who concurrently agreed to buy a deferred annuity, and the maximum amount of the payment on death was the total of the sums paid for the annuity and insurance taken together. The Life Assurance Companies protested, but their protests were unnecessary. Government life assurance under such restrictions did not materialize and deferred annuities continued to languish. During the five years to 1859 £4,671 was paid in single sums and £60,359 in annual premiums for deferred annuities, whereas £281,073 was invested as consideration for immediate annuities. Mr. Sikes of Huddersfield, whose right to be regarded as an authority will be explained later, had good reason for his conclusion: 'I do not think that the principle of annuities will ever be popular among the working classes of this country, because it involves so large an amount of risk, partaking almost of the lottery principle; and, personally, I would not recommend the working classes to put their principal in jeopardy.' At the same time, no one accustomed to deal with small depositors will dispute the fact that there is a limited class of people to whom a government annuity has always proved not only suitable but a veritable godsend.

Chapter VII

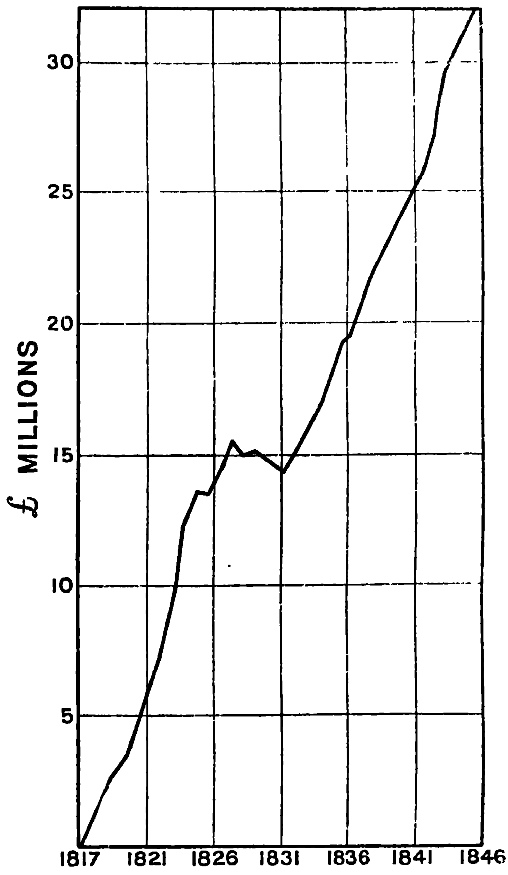
THE SEARCH FOR SECURITY

DURING the first thirty years of their connexion with the State, the Trustee Savings Banks accumulated just over £30 millions of small savings. This average growth of £1 millions a year was generally regarded as satisfactory and seems to have impressed contemporary observers in Parliament and outside. As there were rather more than a million depositors by 1847, the average account was nearly £30. This was considered a large sum for a wage-earner to possess in the first half of the nineteenth century and no doubt it was this fact which led some critics to suggest that the figures must indicate considerable deposits by tradesmen and middle-class families and the children of wealthy parents. It has already been shown that the early ledgers of the savings banks give little support to this view. The £30 millions of deposits in 1847 were predominantly the savings of wage-earners, among whom domestic servants and artisans occupied the most prominent places.

Progress was not evenly spread over this period. During four of the thirty years the combined funds of the savings banks showed a decline—1826, 1829, 1831, and 1832. The best years were 1823–4 and 1843–4. The first real setback in the late twenties and early thirties makes a conspicuous break in the accompanying graph of progress. There are four main factors which adversely affect the growth of savings—bad trade and unemployment, a reduction in wages or a rise in the cost of living without corresponding wage increases, a decrease in the rate of interest and a loss of confidence. Not infrequently more than one cause is operating at the same time and this makes it difficult to draw positive conclusions as to the reasons for the poor results of any one year.

It is, however, clear that the increased withdrawals in 1826, which resulted in a decline of over £120,000 in the balances due to depositors on the year's working, was connected with the financial crisis of the previous year. 'The Panic' of 1825, due to commercial speculation largely in the South American market, which brought down the banking house of Sir Peter Pole & Co,

and other financial establishments, produced a temporary lack of confidence in the business world which, in its turn, caused unemployment and decreased earnings. Savings were bound



Graph showing growth of Savings Bank Funds between 1817 and 1846

to suffer and a net decline of less than 1 per cent. in accumulated small savings was not serious and was indeed less than might have been expected as a result of such an acute depression. The 1829 decrease of no less than £567,000 seems, on the other hand, to have been largely due to the reduction in the rate of interest from 3*d.* to 2½*d.* per day by the Act of 1828. It is sometimes said

that the small saver is more concerned with the security of his money than with the rate of interest. This may be true, but it is none the less true that, whenever reductions in interest have been imposed, they have had a temporarily depressing effect on the growth of small deposits.

The poor results of 1831 and 1832 are less easy to account for. Reform Bill agitation and the industrial ferment which accompanied it certainly had some effect. Hull Savings Bank, for instance, experienced considerable withdrawals in 1831 due to 'the most ridiculous apprehensions of insecurity'. Rumours were clearly in circulation, as a result of political propaganda. There are references in 1832 to runs on Manchester and other savings banks, but details are lacking. The withdrawals during the year exceeded half a million pounds—a large sum in those days, though not much more than one-third of the sum withdrawn in 1829. Though the sum invested with the National Debt Commissioners had decreased from £15,358,000 in November 1828 to £14,416,000 in November 1832, the whole of this loss was made up in the single year following the passing of the Reform Act. It is probably not fanciful to connect the recovery with the increased confidence in the Government which Lord Grey's[1] measure brought about.

So far, any instances of lack of confidence by savings bank depositors had been the result of political agitation or the temporary breakdown of the country's financial machinery. There had been no suggestion of lack of confidence in the savings banks themselves. The way in which they weathered the early storms of trade depressions seemed to prove the soundness of their structure. A few cases of embezzlement of funds by dishonest officials had caused local concern, but there had been nothing to suggest that the guarantee of the personal sureties of the officers, combined with the implied responsibility of the trustees themselves, were insufficient to give depositors the absolute security for their savings which they were entitled to expect.

This belief in the adequacy of the safeguards to depositors was rudely shaken in the thirties in Ireland and in the late forties in England. Serious frauds took place, involving loss to persons who could ill afford it. The story of the savings banks during

[1] Lord Grey was a founder trustee of the Alnwick Savings Bank.

the period between the middle forties and the early sixties and again for a short time between 1887 and 1891 is so bound up with the search for complete security that some of these local failures must be described more fully than would otherwise be necessary. The details of the most serious of the frauds—Cuffe Street (Dublin), Tralee, Killarney, Rochdale, Cardiff—are exposed in voluminous Government Reports of more interest to the psychologist than to the economist or historian. The minor peculations which occur from time to time in all institutions handling money are usually sordid affairs; but the large frauds, particularly those which threaten the life savings of the poor, deserve all the publicity they receive. To the gallery of rogues of this character, whose careers make a fascinating theme for the student of crime, the savings banks can add a few notable figures. They all have at least one common feature—that, until their misdeeds were discovered, they were considered men of exceptional honesty and integrity. This is not surprising, for to be in a position to commit frauds on a grand scale, a man must have something more than ingenuity. He must be implicitly trusted by his dupes.

Mr. Dunn, the actuary of the St. Peter's Parish Savings Bank, Dublin, usually known as the Cuffe Street Savings Bank, was not, it is true, an outstanding local personality like Mr. Haworth of Rochdale,[1] but he was, in the eyes of his trustees and the public, a man of 'excellent character'. He was the parish sexton, and, when he was first given charge of the savings bank on its opening in 1818, he only received £5 a year for his new work and responsibility. At what stage he started defrauding the bank is not clear, but by 1826 he had established himself so firmly in the confidence of his board that the only trustee who voiced his suspicions received anything but a sympathetic hearing. It took this trustee, a barrister named Lannigan, another five years to make any impression on his colleagues and, when they finally and reluctantly consented to Dunn's retirement in 1831, the general impression was that he had been badly treated. Sentiment soon changed when the discovery of his frauds came to light shortly afterwards.

The trustees sought the help of Mr. Tidd Pratt, who in 1828 had been appointed under the Act of that year the barrister to

[1] For the Rochdale frauds see pp. 126–8.

certify the Rules of Savings Banks and the arbiter in disputes. Mr. Tidd Pratt had taken his new duties seriously and had not only mastered savings bank law but in 1830 had written a short but attractive history of the banks which he published with a wealth of statistics about their progress. He published a further edition in 1842, and during his long tenure of office no one disputed his claim to be the greatest authority on savings bank law in the country. He had much to do with the framing of the important Acts of 1844 and 1863, and lived to become not only the first Registrar of Friendly Societies, but the first Consulting Barrister of the Post Office Savings Bank. In all his long contact with savings banks he probably never had a case which caused him half as much trouble as the frauds at Cuffe Street. He went to Dublin and adjudicated on 208 cases. He found that a sum of no less than £11,864 was due to these depositors, though only about £7,500 of this was strictly recoverable, as the rest had been paid over to Dunn out of bank hours or in breach of the rules. It turned out later that the defalcations were much larger.

Mr. Pratt did not feel called on to decide on the responsibility of the trustees, but he seems to have given advice for which he was afterwards vigorously and bitterly criticized. According to the trustees, he expressed the opinion that the bank might be carried on under different management, that the claims for £7,500 should be met out of the funds remaining and that the trustees should gradually restore their solvency out of profits and even pay the balance of the claims from the same source; that meantime the National Debt Commissioners would turn a blind eye to the state of affairs shown in the annual returns. If this was his advice there is no doubt that it was bad advice, prompted in all probability by a fear of the effect of the closing of the bank on other banks in the neighbourhood. Some of the trustees asserted afterwards that they were anxious to close the bank at the time and were over-ruled; but it seems more than likely that they were not sorry to carry on and evade awkward questions as to their own legal liability. Moreover, they made matters worse by deciding to pay all claims immediately—not only the legal ones but those which Mr. Pratt had refused to recognize. Certainly the National Debt Commissioners could not plead ignorance of the state of the bank in overlooking year

by year the increasingly desperate state of affairs revealed by the annual returns. By 1838 as a result of new revelations of the extent of the frauds and the hopeless struggle to carry on with a growing excess of liabilities over assets, the deficiency had risen to over £25,000. In 1845 there was a run on the bank and about £50,000 was withdrawn. The National Debt Commissioners almost decided to act but, after taking legal advice, shirked the responsibility. They merely advised the closing of the bank—advice which the trustees did not accept. If a bank's assets are insufficient to meet its liabilities and it continues to credit interest to all its depositors at the full rate, the result is obvious. Not only is there no chance of reducing the deficit, but it grows snowball-like. When the end came three years later, the deficiency had reached the staggering figure of £56,000. Nearly two thousand poor people were faced with the loss of their savings.

The Cuffe Street case deserves more than usual attention, for it was the first real sign of a chink in the armour devised by Parliament on which so many thousands of the people were placing implicit reliance. Its sequel was also important but, to understand it, it is necessary to say a word about the vexed question of the liability of the trustees of the banks for any losses due to fraud. This question, which was to assume so much importance, seems to have been ignored by the founders of savings banks. The matter was not referred to in any of the Savings Banks Acts before 1828. This, according to Mr. Pratt, meant that those trustees who, before that year, had not expressly limited their liability in the Rules, were legally liable for all losses. If any cases of dishonesty occurred before 1828, little was heard of them and the trustees or the guarantors of the defaulting officer presumably paid up. One such case in Carnarvon in 1824 did come before the courts and the judge confirmed the responsibility of the trustees. But the funds of most banks were still small and the position was not acute. The Government guaranteed the repayment of all sums invested with it and the risk was therefore confined to such sums as remained in the hands of the actuary or treasurer. The 1828 Act, however, gave the trustees some protection by limiting their liability to their 'own acts and deeds' and cases in which they were 'guilty of wilful neglect or default'. This was a reasonable enough

provision and did place on trustees the onus of seeing that the rules were observed and proper precautions against fraud taken. Most trustees took their duties seriously but there was undoubtedly a tendency for more and more of the book-keeping and banking to be left in the complete control of the actuary. When trouble arose, it was usually easy to show that there had been a considerable measure of neglect on the part of the trustees or some of them. There was no doubt of the trustees' neglect in the Cuffe Street case for nearly every rule of the bank had been broken; they may well have been glad to carry on the bank rather than face a public exposure of their neglect. When the public inquiry took place in 1848 they had little to say in their own defence but tried to transfer the blame to Mr. Pratt and the National Debt Commissioners. Probably Dunn had collected a board of trustees and managers most of whom, like the Vicar of Wakefield's family, were 'generous, credulous, simple and inoffensive'. There was a disarming *naïveté* about the reply of the clerical trustee who was asked by the Chancellor of the Exchequer if he thought the interest on £33,000 for one year could possibly amount to as much as £18,000: 'I was not born to be an accountant, and I cannot tell you that; I was born to be a gentleman, not an accountant.'

Meanwhile, the question of liability had arisen in England in 1835. It was unfortunate that the first large fraud there should have brought to an end Mr. Lloyd's interesting pioneer bank at Hertford. It was a bad case. A clergyman named Small who conducted a branch of the Hertford Bank at St. Albans, managed to embezzle no less than £24,000. Few banks had a more opulent board of trustees and the depositors were repaid in full, but a loss of such dimensions was bound to create a sensation, particularly as one of the trustees was the Prime Minister, Lord Melbourne. A discussion was opened in the House of Lords by the Marquess of Salisbury who suggested that the law should be altered so as to limit the liability of trustees and give more security to the depositors. If nothing were done, trustees would withdraw their names and depositors would then withdraw their money. Lord Melbourne, however, did not think legislation was necessary; he thought that such disasters could be avoided by more careful management. There the matter rested for a time and the only large fraud which

occurred during the next ten years was at Reading and here again the trustees footed the bill to the extent of £3,000.

The growth of the funds and the impossibility of devoting sufficient time to supervision of the increasingly complex administration was beginning to cause real concern among the trustees. Mr. Goulburn received an impressive volume of evidence that something must be done to allay the anxieties of trustees if the basis of the whole movement were not to be undermined. He took the easy and, as it turned out, disastrous course of removing the liability of trustees without attempting to substitute any adequate new security for the deposits. The actual clause in his Savings Banks Act of 1844 declared that no trustee or manager should be personally liable to make good a deficiency in the funds of the bank unless he had expressed in writing his willingness to be so liable. Moreover, he could in the same way limit his liability to a figure fixed by himself. As might have been expected, only a mere handful of trustees made themselves liable by signing such a declaration; the rest, by doing nothing, became freed from any risk of loss. It seems that the Chancellor had paid too much attention to the fears and fancies of a few trustees. Certainly he received no support from the banks themselves. The representative meeting of trustees and actuaries convened by the St. Martin's Place Savings Bank thought the new provision 'highly objectionable'. They urged the adequacy of the existing clause in the 1828 Act, but without avail. The only additional security to depositors introduced by the 1844 Act lay in the clause which placed upon the National Debt Commissioners the duty of seeing that bonds of sufficient security were given by all persons receiving or holding savings bank money and that which imposed certain penalties on officers who received money out of office hours and did not at once account for it.

Within four years of the passing of the 1844 Act began a series of separate defalcations, which must be unique in British banking history. The final collapse of the Cuffe Street Bank in 1848 was followed immediately by frauds of almost equal magnitude in two other Irish banks—Tralee and Killarney. Mr. Lynch of Tralee, in whom, according to the bank's treasurer, the public 'had more confidence than they had in many of the trustees themselves', appropriated to his own use £36,000.

He was a clever and plausible scoundrel who enjoined his depositors to 'examine their pass books and see that the entry was correct' and even included, in a sententious appeal to the people to exercise thrift, the assertion that 'many might be disposed to save a part of their earnings, if they knew how to set about it or where to place it in safety; whilst others, who have occasionally practised saving, have lost what they had laid up by trusting it in unsafe hands'. He richly earned his sentence of fourteen years' transportation, but this was little consolation to the depositors who found that any claim they might have had against the trustees had been removed by the 1844 Act. One witness later summed up the effects of the fraud by saying that 'the dissipated characters who have saved nothing now look upon the poor industrious creature who has been cheated, laugh at him, and tell him that they have spent their own money while the industrious man has had somebody else to spend his for him'. The deficiency at Killarney was about £20,000 and these three big Irish frauds, coming to a climax within a year, caused an immense sensation. Petitions were sent to Parliament calling attention to the distress caused to poor people and the Prime Minister agreed to set up a Committee of the House in 1848 to inquire into the state of the Irish banks. This Committee met for nine days, heard evidence but produced no recommendations, except that a further inquiry should be made as to the liability of trustees and auditing of savings bank books. The leader of the Opposition, Lord George Bentinck, considered the Report of this Committee 'as remarkable for its brevity as for its vacuity—as brief as it is worthless'.

The Chancellor of the Exchequer, Sir Charles Wood, ignored the suggestions for a further inquiry and introduced a short Bill in 1848 which he may well have thought was too modest to provoke much opposition. He proposed that trustees should in future be responsible up to a maximum of £100 each. He thought this sum would be sufficient to make them careful but not so large as to cause them to resign their trust. He also proposed to insist on the appointment of auditors and on the production of depositors' pass books once a year at the office of each savings bank for comparison with the ledgers. To the Chancellor's surprise and chagrin the Bill met with violent opposition. Lord George Bentinck again took the lead in

criticizing the Bill in Parliament. He suggested that the proposals were impracticable and showed a lack of understanding of savings bank administration, concluding with the caustic comment, 'Surely a Government which had proposed so much and done so little, can refrain from doing harm, since they cannot do good; and will not press this discreditable bill through the House at the end of August without necessity for it, and against the opinion of those best calculated to form a judgment.' The last remark no doubt referred to the conclusions of another meeting of savings bank managers which had been held in London on 29 August 1849 to consider the Bill. Sir Henry Willoughby, M.P., was again Chairman and the useful link between the banks and Parliament. Not only did this meeting 'view the Bill with mingled feelings of pain and alarm' but it organized the signing of two petitions against it by 79,000 depositors. These were duly presented to the Commons by Sir Henry who urged that nothing should be done to interfere with savings banks, at any rate until a comprehensive inquiry into their administration had taken place. Some of the savings banks were in fact quite anxious for a parliamentary inquiry, as they wanted an opportunity of challenging the Government's record in the matter of the investment of savings bank funds.

The Irish trustees on the other hand, strongly supported by the Irish Members of Parliament, felt that the passing of the Bill was a matter of first-rate importance and urgency, if the movement in Ireland were to survive the recent shocks and not, as one witness put it, 'crumble to dust'.[1] The session was well advanced and the harassed Chancellor, unable to reconcile the conflicting views, had to agree to limit the application of the Bill to Ireland. It was then passed and probably did much to save the savings banks in Ireland from complete collapse. From that time they began a slow but steady recovery. The question of compensation to the Cuffe Street depositors was left over for the time being.

The opposition of the English banks may seem short-sighted and factious, but it must be remembered that, although there had been a few defalcations during the past twenty-five years, the English depositors had not suffered; such losses as had taken

[1] Over twenty small savings banks in Ireland, in addition to the three mentioned, closed within a few years of 1844.

place had been made up by sureties or trustees. Moreover, the great majority of the banks were carefully managed and many of the officers had taken great pains to evolve methods of book-keeping and auditing calculated to make frauds so difficult as to be almost impossible. They felt that the Bill arose out of the mis-management of some remote savings banks in Ireland and was bound to be read as a reflection on their own banks and methods of administration.

Had the Bill been brought forward a year or so later, they would have felt less sure of themselves. In November 1849 Rochdale mourned the death of one of her most prominent citizens, George Haworth. 'For the reputation of honesty, probity and wealth there was no man who stood higher.' He was in fact the local Pooh-Bah, wool merchant, cotton spinner, publican, land and estate agent, insurance agent, rent collector, and actuary of the savings bank. He was prominent in all social, literary, and philanthropic work in the town. It was not until after his death that it was discovered that he was one of the greatest impostors and swindlers of his age. He had defrauded the savings bank depositors of the huge sum of £71,715, nearly three-quarters of the hard-earned savings of the townspeople. The depositors acted quickly and sensibly. They appointed a Committee to look after their interests. The Committee did its best. It obtained about £17,000 from Haworth's estate and the trustees subscribed over £17,000 but the final dividend was only 12*s*. 6*d*. in the pound. Many depositors thought that the Government would pay the balance. Was not this a 'National Security' savings bank? The Government, however, was not prepared to set a precedent by bearing a loss for which it was not legally liable. Its only concession was to reimburse those depositors who were or had been servants of the Crown in the Army or Navy.

The methods employed by George Haworth only concern this history in so far as they show the weaknesses of the system. He kept two sets of books, one for his private information, showing the transactions which actually took place, and one for the information of his treasurer when paying in or drawing out money. The worst of the trustees' omissions was in failing to appoint an independent auditor but they were readily imposed upon in many ways by one who made an art of deception. Mr.

Edward Taylor, the Chairman of the Depositors' Committee, described to a Select Committee of the House of Commons in 1858 some of the ways in which Haworth guarded against interference by trustees and managers.

'The original Trustees and Managers being dead, he slowly introduced people—elected them himself in fact; and the manner in which he did it was, he put their names down in an Annual Report, but never let them know that they were made Managers. To take my own case: I have a Report here for 1838, in which my name is printed as a Manager; but I never was aware of the fact that I was a Manager till the Bank failed. I never was at any meeting and I was never called on to attend any meeting, and I can name several others in the same way. I will take another case, which occurred to a gentleman named Chadwick. George Haworth said to him as he was passing, "I want thee" (he was a member of the Society of Friends); "wilt thou come in and sign a return?" Mr. Chadwick said "I cannot, I have nothing to do with the Bank!" "Oh, but thou art a Manager", said George Haworth, shewing him his name; he then got him to look at the accounts, which Mr. Chadwick verified, and put his initials to every item; and when he had done that, Mr. Haworth said, "Now, if thou wilt take that paper, I will call over the items," which he did from another paper. Having done that, "Now" he said, "thou wilt have to sign this!" and Mr. Chadwick did it, and believed he was signing the duplicate paper of that which he had examined, but it was discovered afterwards that Haworth had substituted a falsified return. I know of another instance in which he waited upon a gentleman with a view to getting him to be a Trustee; the gentleman said "I do not like it; I do not like my time to be taken up with business I cannot attend to, and I do not like the responsibility of it." He said "Thou knowest there will be no responsibility by and by, for the Government are passing an Act to take away the responsibility", and afterwards waited upon him and shewed him the Act, which convinced him there was no responsibility. Then the question was, "What is my work?" Haworth said, "All thou hast to do is to sign the orders for withdrawing the money invested with the Government which have been audited and looked at by the Managers: thou wilt have to send thy signature, as a sort of check against the Managers; the Managers manage the Bank." '

Mr. Taylor also gave evidence as to the feeling in Rochdale after the failure of the bank. Nearly ten years after the failure, young men and women were still saying, 'We will spend our money rather than George Haworth shall have it.' There

seems little doubt that the disappearance of the savings bank gave new interest and support to the enterprise which had been started a few years earlier by the Rochdale pioneers and laid the foundations of the great Co-operative Movement.[1]

No other fraud in English savings banks approached the Rochdale case in dimensions or effects, but the number of other serious defalcations during the late forties and early fifties showed that there was something wrong with the administration of many of the banks and that the depositors had not yet the assurance of complete security which they might reasonably expect from statutory institutions closely connected with, though not controlled by, the Government. Twenty-one other cases of fraud were known to have occurred in England between 1844 and 1857. In most of these, it is true, the depositors suffered no loss and some of them only involved small sums but there were serious and unfortunate cases in Spilsby, Poole, St. Helens, Mitcham, and the Isle of Wight, which kept the whole question before the public and before Parliament. Scotland's record was a good one, marred only by a defalcation at Auchterarder in 1848 in which a local schoolmaster appropriated £1,500 to his own use.

Meanwhile, the Irish Members of Parliament were determined to give the Government no peace until it faced up to the question of compensation to the Cuffe Street depositors. In March 1848 Mr. Reynolds, the member for Dublin, moved for the appointment of a Committee to investigate this particular fraud and strongly urged the Government to make good the loss. The motion for a Committee was carried by three votes against the wishes of the Chancellor of the Exchequer who opposed an inquiry as 'costly and useless'. It was also decided at the suggestion of Mr. Herbert, the member for Kerry, that the inquiry should include the defalcations at Tralee, Killarney, and Auchterarder. This Committee, which was presided over by Mr. John Abel Smith and of which the Chancellor of the Exchequer and his predecessor, Goulburn, were both members, deliberated during two sessions and examined a number of witnesses, including Mr. Tidd Pratt, who had been criticized in Parliament and even referred to as a 'flippant barrister', and

[1] The pioneer Co-operative Shop at Toad Lane, Rochdale, opened in December 1844, five years before the discovery of Haworth's frauds.

Mr. Higham, Jun., of the National Debt Office. A full Report was presented to the House in the summer of 1850, but there were Minority Reports by Irish members, Mr. Reynolds and Mr. Herbert. A section of the Press had not hesitated to accuse the Government of packing the Committee. The majority, after reviewing the facts at length, exonerated the National Debt Commissioners from blame in the Cuffe Street case, but, whilst denying the Government's legal liability, recommended the case of the Cuffe Street depositors to the favourable consideration of the Government. The Committee criticized the provisions of the 1844 Act, removing the legal liability of trustees and expressed its conviction that further legislation was urgently necessary. It did not feel called upon to outline detailed proposals, as a Bill intended to remedy existing defects had been introduced a few months earlier by the Chancellor of the Exchequer, Sir Charles Wood, and was under discussion.

The upshot of this Report was that the Government granted £30,000 towards the losses of the Cuffe Street depositors. Some members thought it should be all or nothing; others thought that losses elsewhere would have to receive similar treatment. The Government, however, carried its proposal by a substantial majority and successfully resisted subsequent attempts to reopen the question.

Sir Charles Wood's ill-fated Bill which was to set the savings bank house in order was first introduced on 29 April 1850. It was a good deal more controversial than his previous Bill in 1848, which had eventually been confined to Ireland. It raised once more the thorny questions of limit of deposit and rate of interest. His proposal to reduce the total limit to £100 and the rate of interest payable to the trustees from £3. 5*s*. per cent. to £3 and the maximum rate payable to depositors from £3. 0*s*. 10*d*. to £2. 15*s*. would by itself have raised a storm of protest. But public attention was concentrated on how the Chancellor proposed to deal with the question of security. In one respect he followed the line which had been advocated by the banks themselves two years earlier. He proposed to repeal the 'most defective' clause in the 1844 Act, removing the liability of trustees and restore the 1828 provision which made trustees liable for their wilful neglect and defaults. He reintroduced his sound proposals for the appointment of independent auditors

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and for the annual comparison of depositors' pass books with the ledgers. It is doubtful whether the majority of the banks would have taken exception to another clause which gave the National Debt Commissioners power to send down an Inspector, should they see occasion to do so, to test the accuracy of the accounts of any savings bank. The savings banks, however, guided as before by the trustees and actuary of the St. Martin's Place Savings Bank, discovered what they took to be a clear sign of the cloven hoof in a clause which proposed that treasurers of the banks, who were to receive and pay all money, were to be appointed by the Government. They might still be honorary officials, but paid treasurers were clearly intended and the cost was to be met out of the saving in the fund due to the reduction in the rate of interest. It was a typical compromise proposal, but it was a compromise which pleased no one and roused the most violent hostility amongst the savings banks trustees throughout the British Isles. The Government had a plausible enough case. They were genuinely anxious to guarantee the depositors against loss and they naturally argued that an increase in the State's liability for losses must be accompanied by an increase in state control. They were reluctant to propose taking over the banks as state institutions, for the feeling against an extension of bureaucracy was still strong; they were equally certain that completely independent honorary management was incompatible with complete security for the small saver. The solution seemed to be to leave the trustees and managers in nominal control but to transfer to the State the real control of the principal paid officer.

The attitude of the savings banks was only vaguely indicated in the resolution passed at the meeting at St. Martin's under the Chairmanship of Lord Walsingham. The proposal 'must lead to great confusion and eventually to the disruption of these institutions'. It would result in the destruction of the very foundations on which the savings bank movement had been built—honorary local management. The St. Martin's trustees also criticized the other clauses in detail, especially those dealing with reduction of interest and limits of deposit and of the allowance for management, which would have serious consequences for many banks. It is true that the savings bank representatives did not put forward any constructive alternative

proposals, though the minds of some of the shrewdest leaders were already turning in the direction of independent inspection and audit as the best solution. There is no doubt that many of the well-managed banks tended to dismiss too lightly the need for any change. Mr. Lewins, who wrote his *History of Banks for Savings* ten years later, was by no means a hostile critic; yet he saw the big change which was taking place in the movement. The growth of business was necessitating a large increase in the number of paid officers and 'in an almost corresponding ratio did the unpaid machinery decline. Slowly but surely the management of Savings Banks went out of the hands of an unpaid into those of a paid staff of officials and every year the system of check became more nominal than real.' He might have said a 'badly paid staff'—another temptation to fraud. Yet the objections of the banks to Sir Charles Wood's proposal were sound. There is little doubt that state appointment of the treasurers would have been a fatal blow to honorary management and so to that intimate local control which has given the Trustee Savings Banks their distinctive place in the community and was acknowledged some eighty years later to have been largely responsible for winning the 'confidence and affection' of their depositors.[1] On this and similar occasions during the next ten years the savings banks were often accused of factious opposition to the proposals of successive Chancellors of the Exchequer for the reform of the savings bank system. No doubt there were die-hard extremists among the trustees, but the following report made by one of the Glasgow trustees (Mr. Anderson Kirkwood) to his colleagues after the deputation to Sir Charles Wood in 1850, shows that the banks had a good case for raising objections to this Bill:

'The Bill had four things in view—1st, To interpose Government security to depositors from the moment they put their money into the coffers of the Savings Banks; 2d, To provide a series of checks upon the management of the Banks by the appointment of a number of paid officers, consisting of treasurers, agents or clerks, inspectors and auditors; 3d, To reduce the rate of interest allowed to Savings Banks from £3:5:—per cent. to £3 per cent.; and thus save Government a quarter per cent.; and 4th, To accomplish a further saving to Government—by limiting to £100 the amount which any depositor

[1] See p. 335.

might put into a Savings Bank—by preventing deposits on behalf of minors, unless such deposits were allowed to remain until the minors reached 14 years of age—and by rejecting deposits from Trustees, except in a few special instances. These were the chief purposes of the Bill, and your Committee directed their careful attention to each.

'*As to the security*, they cordially concurred with Government, and only complained that it was not made sufficiently clear and explicit in the Bill.

'*As to the checks proposed*, while your Committee approved of the most efficient checks being applied, they could not assent to the cumbrous and expensive machinery of having 520 paid treasurers appointed by and accountable only to Government—as many paid agents or clerks, named by the treasurers—an indefinite number of paid inspectors, to be nominated by Government—and an equally indefinite number of paid auditors, to be appointed by the Banks. All this machinery, involving as it did a divided management and a divided responsibility, seemed to your Committee as inexpedient as it was unworkable; and they thought that the object in view would be better attained by the appointment simply of a competent number of qualified inspectors or auditors.

'This part of the Bill might, perhaps, have been satisfactorily modified and settled; but, to its next feature, viz., *the reduction of the interest*, your Committee had insuperable objections. One of the Chancellor of Exchequer's arguments for the reduction was, as I find from his speech, that the depositors did not want interest so much as security. No doubt they wanted and are entitled to perfect security, but, as everybody knows, they also desired a fair rate of interest for their deposits.

'Until the year 1817, Savings Banks had no connection with Government. It was in that year they were first wedded to it—at least the Savings Banks of England and Ireland—whether "for better or for worse" remains yet to be seen; and the temptation then held out was £4 : 11 : 3 per cent. This rate continued till 1828, when it was reduced to £3 : 16 : –½d. It was not till 1835 that Scotland accepted the benefit—if benefit it be—of a complete Government connection; and in the following year the Glasgow Savings Bank was established, upon the footing of getting that rate from Government. But the interest was again reduced in 1844 to £3 : 5 : – per cent., and it has since continued at the same rate.

'These facts demonstrate that the interest allowed to Savings Banks has always formed a most important element with all parties in furthering the success of such institutions. But although I have

given the successive rates allowed by Government, I must explain that the depositor has never got even these rates, because it was always necessary to deduct from a half to a quarter per cent. for the expenses of management.

'Now, no one will maintain that three per cent. is an exorbitant rate, or that Government cannot afford it, if they manage their investments judiciously,—at least no one but the Chancellor of the Exchequer will, I think, seriously maintain this. He said, however, that Government sustained an annual loss of £42,670, by being the bankers of the poor. This was a startling statement, and the Committee made it their business to investigate its accuracy. The result of their investigation was, that even upon the fact of the Government accounts the apparent loss was only £24,247 per annum, upon an average of the last five years. But they found, moreover, from the same accounts, that from two millions to two millions and a half of the Savings Banks' money had not been invested by Government, and that no dividends or interest had been credited for this large amount. And, finally, they ascertained that had such dividends been accounted for, Government, instead of appearing a loser, would have been shown an actual gainer to the amount of £102,186 for the last five years. Your Committee circulated amongst members of parliament the details by which these results were obtained. The "Times" had a leading article calling attention to the facts thus brought out. The "Daily News" had also a leading article on the same subject, and yet no attempt has been made to controvert your Committee's calculations. They are justified, therefore, in adhering to their statement, that the Chancellor of the Exchequer is in error as to the loss which he assumed.

'But granting, for the sake of argument, that there was a loss, I am sure not even the keenest financial reformer would grudge the sacrifice in order to encourage habits of providence among the industrious classes. We all know that improvidence leads to poverty, poverty to recklessness, and recklessness to crime. Any moderate sacrifice which will produce the opposite result is, therefore, true economy in the end, by saving poor rates, and the expenses connected with crime.

'Passing now from the rate of interest, your Committee also objected to the Bill, in so far as it reduced the *amount* which each depositor could deposit, and in so far as it excluded deposits by various classes of *Trustees*, and practically, also, the deposits of *children* under fourteen years of age. The effect of such restrictions is, by limiting the gross amount of deposits, and particularly of large sums, to throw the whole burden of the expense of management

upon small depositors, and the consequence would be, that, supposing Government were successful in reducing the rate of interest to 3 per cent., the Bank could in all probability afford to pay only 2½ per cent. to depositors.'

The opposition was well organized, as the resolutions minuted by banks all over the country testify, and the Government was left in no doubt that a storm was brewing. In Parliament Sir Henry Willoughby was again the spokesman of the banks. He started a little offensive of his own against the National Debt Commissioners, urging that they should be superseded by an independent Commission. He suggested that the Bill should be postponed until an inquiry into the whole subject could be held and a consolidated Bill introduced.

He had an unexpected ally in the request for postponement in Mr. Hume, who, though in general a supporter of the Bill, particularly of the part dealing with a reduction in the rate of interest, thought that more time should be allowed for members to study the reports of the Committee of 1849–50. Sir Charles Wood withdrew his Bill and, although he remained at the Exchequer for two more years, never reintroduced it. When he was questioned about it early in 1852, he promised to bring the Bill forward again that Session, but the fall of the Ministry took place before he was ready. He had, however, secured a new adviser at the National Debt Office in the person of Sir Alexander Spearman, Bt., an able and experienced civil servant, who had succeeded Mr. Higham in 1850 and whose keen mind was much exercised during the next twenty years in trying to find a solution of these vexed savings banks questions.

Mr. Disraeli, who was for a time a trustee of the Wycombe Savings Bank, had no time in the course of his short stay at the Exchequer in 1852 to grapple with the subject and it was left to Mr. Gladstone to examine it afresh.

The savings banks had certainly given little help to the politicians in their attempts to remove abuses and weaknesses in the system. They had been free with criticism but lacking in suggestions. A good deal of consideration was, however, being given behind the scenes to some *Suggestions on the Savings Bank Question* circulated in 1851 by Mr. Arthur Scratchley, a barrister and formerly Fellow and Sadlerian Lecturer of Queens' College, Cambridge, who was a recognized authority and writer not only

on savings banks but on friendly societies, building societies, life assurance and other similar societies appealing to the working classes for support. He drafted a Bill in that year embodying his proposed reforms and, though it came to nothing, it is clear from the views expressed by some of the leading savings bank personalities during the next ten years and particularly before the Select Committee of 1858 that he played a considerable part in influencing their views. On the question of the Government's connexion with the savings banks he made eight proposals:—

'1st. The appointment of a Commission to superintend and manage the general funds of Savings Banks, and the investment of the deposits received by it.

'2nd. A grant to be accorded by the Legislature to make up the present deficiency in Savings Bank securities on the understanding that, should any surplus arise on the future conversion of the stock into cash, it be applied to recoup the nation for the deficiency grant; but should the stock voted prove insufficient, then a further grant to be made.

'3rd. The funds of Savings Banks to be left by the Commission in the present securities, until more advantageous investments present themselves, and then to be gradually withdrawn to the extent of one-half, and placed (if possible) in others producing a better rate of interest.

'4th. The Commission to receive for the deposits exactly what interest their investments realize.

'5th. The Commission to have power to replace any amount of the deposits in Government Stock in case other satisfactory investments cannot from time to time be found.

'6th. Any financial necessities of the public exchequer to be provided for by allowing the Chancellor to borrow such money as he may require from the Savings Bank Commissioners, and to replace the same with interest.

'7th. The Commissioners to be instructed to encourage the formation of new Savings Banks in places where none exist.

'8th. A modification of "Mr. Whitbread's Post Office Plan" to be adopted as a feeder to local banks in large towns from small places where none exist, or where it is not yet expedient to establish independent branches.'

The last recommendation foreshadowed Gladstone's Bill of 1861. The seventh was not given parliamentary sanction until 1929 and the remainder found a good deal of support by the Committee of 1858, though they did not find favour with the

Treasury. Mr. Scratchley's other suggestions, elaborated in great detail in a treatise published in 1860, need not be set out here, and it is not clear at this distance of time how far the ideas were his own and how far he was reflecting the views of some of the savings bank trustees and actuaries, with whom he had been in correspondence.

An interesting sequel to the rejection of Sir Charles Wood's Bill of 1850 was the holding of a mass meeting in the Glasgow City Hall on 10 February 1852. The meeting was organized by the Glasgow Savings Bank and 'the spacious area was filled with a most intelligent assemblage, numbering upwards of 3,000 persons and composed almost exclusively of the working classes'. The Lord Provost presided over this large gathering and Sheriff Glassford Bell explained the nature of the savings bank constitution and the method of conducting business. He took the occasion to assure his hearers that there was no risk of loss through dishonesty in the Glasgow Savings Bank and described the precautions against fraud and the security afforded by the rules and methods already in operation. He then referred to Sir Charles Wood's recent Bill, admitting that some of the proposals were reasonable, but criticizing vigorously the proposed reductions in rate of interest and limit of deposit. He had heard criticism that the money deposited in Glasgow was withdrawn from 'Scotch and local purposes' and handed over to the Government in London, but national security could not be obtained in any other way. The money was applied in London to important national purposes. The Sheriff was evidently listened to with attention, as was Mr. D. R. Kilpatrick, who criticized the 'vicious system' of menages, clubs, and loan societies (charging 20 per cent. or more), in which many of the working classes were toiling. It was, however, left to three ministers of religion, the Rev. Dr. King, the Rev. Dr. Buchanan, and the Rev. Mr. Gillan, to work up the meeting to enthusiasm. If the printed report of the meeting is to be believed, their speeches were punctuated throughout by great cheering. It seems remarkable that three thousand wage-earners should crowd to a meeting at which the principal resolution was:

'That Savings Banks have been proved by experience to be wise in their design and beneficial in their consequences: not only in the way of inducing provident and economical habits among the industrious

classes and otherwise promoting their comfort, respectability and independence, but also as means, under Divine Providence, of conducing to the elevation of moral character and the enhancement of social and domestic happiness amongst a large portion of the community.'

It seems even more remarkable that Dr. King's remarks, in moving this resolution, should have been so enthusiastically received.

'Sometimes it has been whispered', he said in the course of a long speech referring to the interest rate of 3 per cent., 'that it is too good to be true, that the Government has surely some secret design in giving encouragement to these institutions—that, in one way or another, they are to be the avenue of aggravated taxation. . . . If, to escape the Government, you will not put your money into these banks, if you choose rather to spend it on dissipation, then you expose yourself to the very evil you dread—the Government gets hold of you—you will then pay taxes on your foolish indulgences; more than that, you will maintain legions of brewers, and distillers and dramshop-keepers, who are, to say the least, superfluous to you, and who are more costly to the working classes than any standing army that ever devoured their resources or imperilled their liberties.' (*Loud cheers.*)

The savings banks stood to gain nothing for themselves by their advocacy of thrift. The services of the trustees were gratuitous and, as for the officers, small deposits caused much work and expense and, if they sought their own ends, they would discourage them and live a life of comfort and ease. But what about the attitude of employers in encouraging saving? 'I have heard it whispered by working men that masters are in one way or other to get something out of this—that if they know we have savings of our own, they will think we can dispense with part of our wages.' His answer was that wages were not determined in that way, but rather that the best workman, who was usually the most thrifty and provident, would always be preferred. To those who argued that saving encouraged parsimony, he replied that in his experience thrift and generosity often went hand in hand. 'A man who saves from principle is likely to be the man who gives from principle.' And there was still another criticism. 'Some have a notion of this kind—who are found to say they are entitled to take the good of what they have while they have it; and if they come eventually to be ill off and hardly bestead

and hungry, they will be entitled to come on the parish.' But who would advocate leaning on such support? 'It supposes humiliating application, it supposes suspicious interrogatories, it supposes doled-out pittances, and at last no feeling but that of relief in seeing your name erased from the registry of the living and your body committed unhonoured to the tabernacle of the dead.'

This most unusual meeting continued until shortly before eleven o'clock and it is difficult to convey in a few short extracts from the speeches the mixture of fact, homily, eloquence, and humour to which the large audience seems to have listened enraptured for so long. Here, however, is a sample of the outspoken and lively tirade of the Rev. Mr. Gillan, which was the most applauded of all the speeches. He was commending the work of the newly established penny banks, which are referred to in more detail in Chapter X.

'These, I may state, are stationed in the more crowded parts of the city, such as the Spoutmouth, the Old Wynd and the Havannah.' (*Great laughter.*) 'What! Banks in places like these? Surely you might as well have one in the Highlands or on top of Ben Nevis, for any money they will bring in. . . . We seek to change the scene. If there is want in those barren regions, was there no waste as a previous process?' (*Cheers.*) 'Many would persuade us they have nothing to save. Even young, stout, clever fellows with no wife or widowed mother, they would have us so believe, though their muscular arm, their bright, intelligent brow belie what their lips proclaim. They assure us they do not drink; this we shall not dispute; but are there no other indulgences which, though not criminal, are assuredly most expensive? The glass may be seldom to your head, the bottle grasped seldomer still—but pray what is that little implement pressed by the lips upon one side of the mouth, with blue smoke therefrom ever and anon ascending, like an expiring choffer?' (*Loud cheers.*) 'Oh, it's only a pipe with a little burning tobacco. *Only a pipe!* Only a little tobacco! Let us hope you can afford it, for in truthfulness I cannot.' He recounted how he met a man smoking a pipe and asked him how much tobacco he sucked in a week. 'Twa unce—but sometimes a wee bit mair' was the reply. (*Much laughter.*) 'If he had saved the money spent on this debauchery between the ages of twenty and fifty, he would have in the Savings Bank £72 : 18 : 11; hard, heavy, glittering gold' instead of 'a nasty, offensively smelling, muddefying, narcotic weed—for which, in the shape of return, he gets smoke and fumes, as if his body was on fire and the flames twisting out at the garret, and ashes, and blacked burned pipes, with an un-

natural precocity of parts, ending in premature decay.' (*Continued cheers.*) 'Think of "Vanity Fair" at the race week; think on your social communings "when drouthy neebors, neebors meet" at the New Year; think on toys, trinkets and sweetmeats to the children—before you plead an inability to store. If you can give no more, we invite you to consign one penny. Tell us not that you are ashamed to do so. Others give of their comparative abundance—you of your penury and the great treasury of prudence, propriety and foresight. Ashamed! If so, let me accompany you there to prompt you to the deed. With yours I shall put in my own penny, if you please, esteeming you the better man, as having less to give.'

No wonder the savings bank of Glasgow, which, like the Edinburgh Savings Bank, had been re-established in 1836 under the Scottish Act of the previous year, was forging ahead. From the middle forties the Scottish savings banks began to take a prominent part in the movement. They were still comparatively small in funds, but were well managed. In 1844 they did not represent much more than £1 millions out of the £27 millions in the savings banks of Great Britain. This was probably due to the assiduity with which the Scottish joint-stock banks continued to court the small saver. In the fifties some of the Glasgow joint-stock banks were opening savings departments at night and claiming many operatives among their depositors. The competition was probably helpful. The boards and officials of the larger Scottish savings banks were often stimulated into great activity and their combination of shrewdness and enterprise had its reward. The confidence which they inspired was in no degree shaken by the frauds in England and Ireland.

The same may be said of the leading savings banks of England, which were improving their procedure and strengthening their foundations all the time. Unfortunately their example was not always followed and the movement began to be judged in some quarters by its least efficient units. Consequently the growth from 1833, though relatively steady, was not accelerating as should have been the case. Even though 'the money wages of labour, viewed in the mass and neglecting year to year vicissitudes, were almost stationary between 1830 and 1846–50',[1] the population was increasing and the effect of compound interest should have brought about an improvement on the 'million

[1] Clapham, *Economic History of Modern Britain*.

a year' increase which continued throughout the period to 1846 with few exceptions. Then came the setback of 1847–8, referred to in the next chapter, with the result that when Sir Charles Wood's Bill was defeated in 1850 the balances due to depositors were less by some £700,000 than when the Goulburn Act was passed six years earlier.

Many facts were working against progress during these years, but there is no escaping the conclusion that during the late forties and early fifties a lack of confidence in the security of the savings banks was an operative factor in retarding their progress. The search for security had exposed the flaws without producing an agreed remedy. It was clear that so long as those officials entrusted with the custody of money were inadequately paid, the temptations to peculation were unnecessarily strong, and that the available management allowance was insufficient to pay reasonable salaries except in the larger banks. It was clear that many of the smaller and medium-sized savings banks were woefully behind the progressive banks in standards of administration, that there was an urgent need for improved audit and book-keeping and that the personal bonds guaranteeing the fidelity of the officials were often inadequate. It was clear that the restoration of some degree of personal liability of trustees was necessary to stimulate the interest and responsibility of some of the boards of management. Yet there was no central body to raise the level of book-keeping and see that elementary precautions were adopted. Nor was there any prospect as yet of an agreed amendment of the Statutes. Until these weaknesses were eliminated, it was virtually certain that frauds would continue and confidence be lacking. Mr. Gladstone certainly did not realize in 1853 how much time and thought he would have to devote to the whole question during the ensuing decade.

Chapter VIII

MR. GLADSTONE AND THE OLD SAVINGS BANKS

The years from 1853 to 1863 were the most important and even the most critical in the whole of the long history of Trustee Savings Banks. The movement emerged in 1863 with many signs of the buffetings it had sustained in the storms of the previous decade, but really in a healthier condition. That it survived these years, during which many confidently predicted its end, was due more to the essential soundness of the structure than to any display of statesmanship on the part of those who were for the time being in control of its destinies. It had one other serious storm to weather before the end of the century, but it was this period in the middle of the century which finally decided that the Trustee Savings Banks should remain an essential part of the financial structure of the country.

By 1853 attempts to find a statutory remedy for the defects which had led to the Cuffe Street and Rochdale scandals had not been quite abandoned, but statesmen were getting tired of the thankless task of trying to please everyone and not a little nervous of the power of the savings bank supporters in the lobbies. The weaknesses of the system were well known. In the forefront there was the lack of complete security to the depositor, particularly since the 1844 Act had removed all liability from the trustees without substituting any alternative security for those funds which did not reach the National Debt Commissioners. Then there was the continuing deficit in the funds, suggesting rather unfairly that the savings banks were a constant burden to the community. Lastly, there was the more or less static condition of the movement. It is true that the combined funds of the banks had, by 1853, reached the considerable total of £33,362,260, but this was only £1,500,000 above the figure for 1846, the increase being due to the addition of interest. For the four years from 1847 to 1850 withdrawals had considerably exceeded deposits each year. This lack of progress was due to many causes, most prominent among which was the serious financial crisis of 1847–8, but was none the less disappointing.

Nor had there been any considerable growth in the number

of banks for many years—a sure sign of waning vitality. Only seven new banks are recorded as having been opened in the five years to 1853, of which Folkestone Savings Bank is the only one which survives to-day. Although the number of savings banks in England was nearly 500 and the only county completely uncovered was Rutland, there were said to be about 150 towns with a population of over 10,000 which had no such bank and seemed to have little chance of getting one. Nine Scottish counties and four in Ireland had no savings bank. These were mainly small, Ayrshire being the most populous, but it was clear that the 1817 system could not claim to be comprehensive. It was equally clear that no movement to complete the chain of local savings banks was likely to succeed until the questions of security of deposits and liability of trustees were put beyond doubt.

More serious than the extent of the territory uncovered was the lack of a progressive spirit in the vast majority of the existing savings banks. As late as 1861 only 20 of the 638 banks had a daily opening; some were open two or three times a week, but 355 only once a week, 54 once a fortnight, and 10 once a month. The meagre management allowance did not, it is true, encourage enterprise, but it was the few banks which gave a full service which alone showed considerable growth of business. The best of the savings banks were doing excellent work and improving their systems of book-keeping and checks against dishonesty. But they were more concerned to proclaim their own soundness and progress than to look into the admitted weaknesses of the movement in other places.

The Government was not yet disposed to take any steps to survey the movement as a whole and see that small savings facilities were made available to all. They were more concerned to stop the holes in the existing structure than to build new wings. They had, however, recognized in 1842 that the existing local savings bank system could not cater for soldiers on service, who had no fixed home and might be away from the country for long periods, and in that year they had started military savings banks in connexion with the various regiments. Army pay was not unduly generous and the Duke of Wellington is reported to have said, when asked about soldiers' savings in 1827, 'Has a soldier more pay than he requires? If he has, it

should be lowered, not to those now in the Service, but to those enlisted hereafter.' This chilly reception to the idea of military savings banks effectually killed the project at the time, but when Parliament approved the proposal at the instance of the Secretary at War, Lord Howick, fifteen years later, and allowed the generous rate of interest of 3¾ per cent., the scheme worked smoothly and successfully. The Act was amended in 1847 and 1859 and by 1865 the 'Fund for Military Savings Banks' held by the War Office with the National Debt Commissioners amounted to over £250,000. Naval savings banks were not started until 1866, but an Act of 1854 inaugurated Seamen's Savings Banks at the shipping offices at the principal seaports. These banks, which were under the direction of the Board of Trade, also had an account with the National Debt Commissioners and offered the same interest and were subject to the same limits of deposit as Trustee Savings Banks. But they never flourished. The seamen who were willing and able to save have preferred, as a rule, to do so by making an allotment through a savings bank in the neighbourhood of their homes.

St. Martin's Place was still the largest savings bank, with about £1,400,000 at the credit of its 50,000 depositors. It was not only the largest, but was still regarded by a considerable number of banks throughout the country as the natural leader in savings bank affairs, just as Mr. Boodle, its actuary, was still the chief spokesman of the paid officers. In the light of the relative weakness of the Trustee Savings Banks in London and the south at the end of the century, it is of interest to record that three of the seven largest savings banks in the British Isles in 1856 were located in London—St. Martin's Place (first), Bishopsgate or Moorfields, now London Trustee Savings Bank (fourth), and Bloomsbury, now amalgamated with London Trustee Savings Bank (seventh). The County of Middlesex could claim nearly £5 millions, or no less than 14 per cent., of the combined funds of the Savings Banks which at this date were still under £35 millions. There were other able actuaries in London besides Mr. Boodle. Mr. W. N. Wortley, for instance, of the Finsbury Savings Bank, gave evidence before the Select Committee of 1858 as good as that of any other representative of the banks. Mr. Saintsbury of the Moorfields Bank took considerable trouble to study the operations of the French savings banks,

with the object of improving his own bank's administration. Mr. D. Finney of the St. Marylebone Savings Bank—a smaller but active bank—was also a man to whose ideas others gave attention.

The Exeter Savings Bank, with its large and distinguished board of trustees and managers, largely drawn from Cathedral or County families, and its unique network of country agencies throughout Devon, was the only savings bank, apart from St. Martin's, which had over a million pounds of funds. The actuary at this time, James Shopland, had been in the service of the bank for the greater part of its history, during which it had always been well managed and had developed a distinctive and independent organization and viewpoint.

Third in order of size, with nearly a million pounds, came the Manchester bank, now rapidly forging to the front under its able actuary, Mr. John Hope Nield, who had learnt from the Scottish banks the importance of giving depositors a full service and easy facilities for withdrawal as well as deposit. Liverpool, which had now recovered from the restrictive autarchy of Archdeacon Brooks, had nearly three-quarters of a million. Glasgow Savings Bank ranked only sixth with £680,000, but it had, in 1848, appointed a remarkably able young actuary in Mr. William Meikle, who must be ranked as one of the outstanding figures of savings bank history in the nineteenth century. He remained actuary till 1895 and laid the foundations of the greatness of the Savings Bank of Glasgow by placing the book-keeping on a sound system, which largely survives to this day, and inculcating in his staff high ideals of service to the depositors. His brother later became actuary of the Edinburgh Savings Bank, which now ranked ninth with £437,000, and which had exercised outstanding influence in improving the methods of savings bank administration and book-keeping. Two other banks of similar size, Birmingham and Bristol, through the lack of that same enthusiasm and enterprise, were destined to close, with unfortunate results to the savings movement in those areas. Newcastle-on-Tyne, Hull, and Devonport, on the other hand, were doing well. Of the other banks which subsequently became leaders in the movement, York ranked twenty-sixth, Aberdeen thirty-third, and Belfast fifty-fifth.

Mr. Gladstone can hardly have had much knowledge of

savings bank problems when he entered on his first term as Chancellor of the Exchequer in Lord Aberdeen's Government of 1853 at the age of 44. The budget of that year, which brought him to the centre of the political stage for the first time, monopolized most of his energies and, with the attention of members divided between his financial reforms and the threatening Turko-Russian situation in eastern Europe, a Savings Bank Bill might have been expected to pass through a listless House with little difficulty. Mr. Gladstone proposed to introduce three Bills affecting the savings banks during 1853 and 1854. The first, which was directed to extending and improving the machinery for buying government annuities through the savings banks, has already been mentioned[1] and did not encounter much opposition, though the introduction of powers to grant small life assurances raised a protest by a member who saw a threat of competition with private life assurance companies. Only fifty-six members had sufficient interest to vote in the Commons division on the third reading.

Gladstone's intention in the Second Bill was to alter the method of investing savings bank money when it reached the National Debt Commissioners. This was one of the questions about which previous Governments had had to face the most constant criticism. The knowledge that large sums were now at the disposal of the Chancellor of the Exchequer through the savings banks gave birth to suspicion. Might not the Chancellor's power to buy and sell stock and Treasury bills without the knowledge of the House be abused? Gladstone was quite clear in his own mind that savings bank depositors had no grievance. They stood no risk of loss or chance of gain, for the State guaranteed the return to the trustees of the banks of the money invested with it, together with interest at a specified rate. The State were bankers and while the money was in the hands of the State it was no one else's business how it was invested. At the same time he admitted that misunderstanding did arise about the Government's stock transactions and thought the State's obligation to depositors could be made more clear. Instead of buying fluctuating securities, the Governent might gradually convert its holdings on behalf of savings banks into what he described as an 'open asset credit', on which 3 per cent. would

[1] See p. 115.

be paid to the trustees. In other words, the funds would still be at the disposal of the State, but the National Debt Commissioners' powers of investment would be severely limited. Any question of future deficiencies in the savings bank funds, owing to purchase of stock when prices were high and sale when prices were low, would be ruled out.

The savings banks were not, however, satisfied. They still chafed at the implication that the accumulated deficiency in the Savings Bank Fund (now estimated at nearly £2¾ millions) was a just cause of complaint against the savings bank movement. It was due, they once more asserted through their faithful spokesman, Sir Henry Willoughby, to mishandling of the moneys by the financial officers of the State. The investment of the funds *was* a matter which concerned the savings banks, as it affected the rate of interest; the intention of the present Bill was to reduce that rate of interest. There should be an independent body to hold and invest savings bank funds or at least a Royal Commission to look into the whole question.

The issue, in short, was whether the State ought to regard themselves as trustees or as bankers in dealing with the Savings Bank Fund. The banks themselves strongly advocated the 'trustee' theory. Savings bank funds should be clearly distinguished from other state assets. Investments should only be made or sold when this was clearly necessary or in the interests of depositors. This was a plausible and attractive contention, but the Chancellor of the Exchequer had many strong points on his side in holding that the State was only a banker and could do as it liked with the money it received in this capacity. If the State were a trustee, then the Trust Fund must be self-supporting. The rate of interest to depositors must vary with the interest earned on the Trust Fund, but the Fund would have to bear the whole loss through having to buy when prices were high and sell when prices were low. Moreover, the public, as a whole, would suffer if the State could not use the Savings Bank Fund for financial operations of undoubted benefit to the nation.

'In my opinion', said Mr. Gladstone in 1859, 'there cannot be a more gross delusion than to think that the funds in the hands of the Commissioners of the National Debt are the funds of the depositors in the Savings Banks. You take the money of these depositors and you give them the entire security of the public for their money.

They cannot have a better security; and if you give them that, they have no interest in the employment of the money: it does not signify to them if you fling it to the bottom of the sea. So long as the Treasury of the country is sound, it does not matter one rush what the Chancellor of the Exchequer does with the money. If he invests it well, they are no richer; and if he plays all the tricks of the mountebank, or disposes of it with the artifices of the swindler, they are none the poorer.'

The classic instances of the value to the State of the free use of savings bank moneys before this time were in connexion with the Conversion operations of Lord Althorp in 1834 and Goulburn in 1844. In the former case, Lord Althorp in 1833 ordered the selling of stock held by the Savings Bank Fund and the discontinuance of further purchases of stock, so as to accumulate a fund from which he could pay off the dissentients who declined to agree to the reduction of the 4 per cent. stock to 3½ per cent. Nearly half the whole amount of capital reduced was available in this way through the Savings Bank Fund. The Conversion was successful and there is no doubt that the existence of these resources under Treasury control greatly helped Lord Althorp, for the number of dissentients was much larger than was expected. The public benefited to the tune of some £53,000 a year. The Savings Bank Fund, however, suffered to some extent, partly through the selling of £574,712 3 per cents. at the unfavourable figure of 87, and partly through the loss of interest so long as Exchequer bills were held in place of stock. Mr. Goulburn only had to use £2 or £3 millions of savings bank money to pay off dissentients to his 1844 Conversion of the 3½ per cents. to 3¼ and later to 3, but the knowledge that he had the power to use the money undoubtedly gave him confidence.

The savings banks, with only a limited knowledge of what actually took place, not unnaturally exaggerated the adverse effect of such action on the finances of their Fund, but they had a strong logical case. If the Government wished to retain complete control of savings bank money, it must buy and sell securities either with a view to obtaining the best possible return in the interests of depositors, or so as to serve the financial needs and convenience of the National Exchequer. If it were to adopt the former policy, the savings bank depositors could not properly demand out of the Fund more than it could afford to pay. But,

as the Government had admittedly acted on the latter policy, there was no reason why depositors should be penalized because the Fund was earning less than it might otherwise have done. The rate of interest must not be reduced because the Chancellor of the Exchequer had chosen to sell stock and buy Treasury bills. The State could not have it both ways. This controversy continued in and out of Parliament for many more years, but it was probably to the best interests of the savings banks that Mr. Gladstone's view ultimately prevailed and the Trustee Savings Banks became such an intimate and essential part of the financial structure of the country.

But the opposition to this rather technical Bill was slight compared with the opposition to the third of Gladstone's Bills—a general measure of reorganization of the savings banks. It was not the Consolidation Bill for which the banks had been pressing, but was a fairly long measure and some of its clauses were as controversial as ever. The rate of interest to depositors was to be reduced from the existing maximum of £3 to £2. 10*s*. per cent. A government guarantee was to be given to all banks which complied with certain conditions, of which the most important was the appointment of government 'receivers' and inspectors, the regular calling in of depositors' pass-books, and the forfeiting of interest where depositors had not claimed it for ten years. It was, indeed, a slight variant of Sir Charles Wood's Bill of 1850 and the opposition was just as intense. Petitions began to pour in from all over the country, giving the new Chancellor his first glimpse of the influence wielded by boards of trustees and managers. Of course, the St. Martin's Place Bank was among the petitioners, but it seems that on this occasion the lead came from elsewhere. The Manchester trustees sought and obtained an interview with Mr. Gladstone through the services of one of their trustees, Mr. Brotherton, M.P., of whom they record in their Minutes, 'The peculiar urbanity of his disposition renders him acceptable to men of all parties'. They explained their objections to the system of government receivers, which seems to have been included in the Bill at Gladstone's own request, contrary to the wishes of Sir Alexander Spearman and Mr. Tidd Pratt. They emphasized the impracticability of calling in all the pass-books and of arranging that a trustee and manager should attend on all occasions when

business was transacted. They were willing that the rate of interest should vary with the state of the market.

Thanks, no doubt, to the urbanity of Mr. Brotherton, but also to the careful preparations of Mr. Nield, the actuary, the deputation was cordially received and seems to have made some impression. In any case, the Bill was shelved and Gladstone either had not the opportunity or perhaps the desire to reintroduce it before the Aberdeen Government fell in 1855. He must have realized that there was more in the subject than he had at first thought. He must also have been extremely disappointed at receiving this check on his successful first spell at the Treasury. Some of the opposition seemed to him factious and deliberately intended to embarrass him, and it is doubtful if he ever forgave some of those who had obstructed his early efforts to settle these thorny questions once and for all. He came to the conclusion, he confessed later, that the Trustee Savings Banks 'smelt of class', a conclusion which was probably reached as a result of contact with some of the very aristocratic boards of management in the south, notably at St. Martin's Place, where the eight trustees, under the presidency of the Prince Consort, were all members of the House of Lords. It was certainly not true of the country as a whole. The fact is that at this time such members of the aristocracy and landed gentry who retained a connexion with local savings banks as patrons or trustees were usually figureheads, men whose names were regarded as an assurance of financial stability and who would not disclaim some responsibility to depositors, but who took little active part in the administration of the savings banks. Those members of committees of management who were the real supervisors of the work of the banks were more commonly business men and middle-class tradesmen, among whom Mr. Gladstone could count many ardent supporters and admirers, with a strong infusion of clergy (the Banbury Savings Bank had no fewer than fifty-one clergymen on its board) and a sprinkling of professional men, particularly lawyers and doctors.

During this period Mr. Gladstone, as Chancellor of the Exchequer, had another illustration of the great value to the State of the small savers' money. The use of the Savings Bank Fund in the Conversion operations carried on by Lord Althorp and Mr. Goulburn has already been referred to, but

the Crimean War showed for the first time how small savings could help to finance a war, though none could have foreseen the amazing developments of this idea in the twentieth century. The supplies granted by Parliament for the Army and Navy in the Crimea were required far more quickly than a corresponding revenue to meet them could be obtained in normal ways. The Treasury was able to borrow from the Savings Bank Fund through Ways and Means Bills which were issued to the National Debt Commissioners in anticipation of a public loan. There were those who said afterwards that this was disadvantageous to the Savings Bank Fund, but Gladstone, as had been shown, had his own strong views on the paramount interests of the State. Sir Alexander Spearman, the Comptroller-General of the National Debt Office, testified before the Select Committee on Savings Banks that 'these operations during the early pressure during the war in the Crimea were necessary and were advantageous to the State, while my opinion is that they were not disadvantageous to the Savings Bank Fund'.

This, however, is to anticipate the appointment of this Select Committee, to which object the active savings bank partisans now devoted their time and thought. It was, indeed, becoming fairly clear to statesmen of both parties that the savings bank question, which was taking up so much of Parliament's time, would not be satisfactorily settled until a Select Committee had investigated some of the accusations which were being made with increasing frequency and freedom against the Debt Commissioners on the one side and the lax administration of some of the banks on the other. One final attempt was, however, made to secure an immediate amendment of the law.

The interlude of the Crimean War had given Sir Alexander Spearman the opportunity to reconsider the plan proposed without success in 1853. He had been assiduous in consulting representative trustees and officials and, when Sir George Lewis succeeded Mr. Gladstone at the Exchequer, his new proposals were ready for submission to Parliament.

The new Bill was introduced in February 1857. Complete government security was to be given to savings bank depositors, provided the trustees and managers applied to be protected by the provisions of the Act and agreed to abide by the conditions laid down by the National Debt Commissioners with the con-

sent of the Treasury. On the vexed question of the right of appointment of the paid officers, which had contributed to the fate of the previous Bill, the idea of State-appointed treasurers or receivers was dropped. Appointments were to remain with the trustees and managers, but the approval of the Debt Commissioners was required. The Bill also proposed that the Commissioners should have power to specify the qualifications of the officers, approve the amount of their security, define their duties, fix their salaries, and dismiss them. The regulations were not set out in detail in the Act and clearly everything depended upon the conditions and the amount of control which the Commissioners would decide to impose. An unnecessary gift to the opposition was a clause proposing to reduce the limit of deposit from £200 to £100. The Commissioners were also to be authorized to appoint savings bank inspectors and auditors.

Sir George Lewis contented himself with introducing the Bill in that session without attempting to carry it farther. His object was to ascertain the probable lines of the opposition and assess the prospects of ultimate success. During the recess Sir Alexander Spearman circulated a copy of the Bill to each bank with a memorandum explaining the conditions which he proposed to require from banks wishing to bring themselves under its operations. These were not unreasonable, seeing that the Government was giving a complete state guarantee. The trustees must satisfy the Commissioners that the bank was well managed, the accounts regularly and correctly kept, and the bank solvent. To satisfy itself on these points, the deposit books of all depositors must be called in and compared with the ledgers by government auditors or inspectors. The Commissioners would also exercise a continuing superintendence over the management and transactions of the bank within the limits set out in the Bill 'without unduly or unnecessarily interfering with that local management which it is desirable to maintain and support'.

This circular led to another burst of activity on the part of the savings banks. The actuaries of the Scottish savings banks were called together by Mr. William Meikle, the actuary of the Savings Bank of Glasgow. They expressed their gratification at the proposal to give depositors the security of the State and asked assurance on certain points. Mr. Meikle gave his personal view that, if the £200 limit were allowed to remain and the

Regulations were framed so as to leave each bank to enact its own by-laws, the Bill would be generally acceptable in Scotland. Manchester again took the lead in the north of England. Mr. Nield convened a conference of twenty-three savings banks in Lancashire, Yorkshire, and Cheshire. They represented over £4 millions of funds and appointed a deputation to represent them in London. The deputation called on Mr. Boodle and also met representatives of the Scottish banks and Mr. Sikes of Huddersfield.[1] The majority was favourable to the general principle of the Bill, but the St. Martin's Place, Aberdeen, Dundee, and Huddersfield Savings Banks objected, and it was clear from correspondence that objections were strongly held in many parts of the country. An interview was arranged with Sir George Lewis, who was insistent that he desired to give all possible freedom to trustees and managers. He had himself struck out a clause which would have given the National Debt Office entire control over expenses of management.

Feeling for and against the Bill continued to run high. Mr. Hatton of the Brighton Savings Bank tried his hand once again at a *Savings Bank Magazine*. His project for a quarterly journal at a subscription of five shillings again failed for lack of support, but 'No. 1', which appeared on 31 March 1857, gave a qualified blessing to the Bill. The reduction of the limit of deposit was, of course, criticized, but the main criticism was that it would be optional for banks to remain outside the Bill and that a minority, by failing to seek government security, might bring the whole movement into disrepute.

Sir George Lewis may well have felt, when Parliament reassembled in May, that the Bill had a good chance of success. In an endeavour to convert probability into certainty, he announced the dropping of the clause reducing the limit of deposit and promised that, if the Bill were passed, he would recommend the setting up of a Select Committee to deal with other outstanding issues. He had, however, under-estimated the strength of the continued opposition of the banks which looked to St. Martin's Place for inspiration and the persistence of their main protagonist, Sir Henry Willoughby.

Willoughby's opposition was not a whit modified by these concessions. He considered that the proposals would mean, in

[1] Later the 'father' of the Post Office Savings Bank—see Chapter IX.

practice, interference with the administration of the banks by subordinate government officials and this they would 'sturdily resist'. He again accused the Chancellor of 'jobbery' in his financial dealings with savings bank funds. He pointed out that many important savings banks had petitioned against the Bill. He asked either for a Consolidated Bill or a Select Committee. During the remainder of the debate the call for a Select Committee was heard from many parts of the House and many members were clearly uneasy at the absence of any details in the Bill of the sort of conditions the Debt Commissioners might choose to impose as a condition of 'adopting' a bank. The Chancellor replied that he wished to avoid unnecessary restrictions which might result from too detailed a definition embodied in an Act of Parliament. This applied both to restrictions on the trustees in the administration of the banks and on the Commissioners in the investment of the funds.

The Bill, when it came up for the Second Reading, again had a mixed reception, but survived this stage in spite of a strong appeal against the tendency for increased government interference by Mr. J. A. Turner of Manchester in an able maiden speech, and a more violent attack by Mr. Ayrton, Member for Tower Hamlets, who regarded it as 'a measure of the purest Socialist character'. Sir George Lewis made a conciliatory reply, pointing out that banks need not come under the Act unless they wished for a state guarantee, that he had prepared regulations and submitted them to experienced actuaries and officials of savings banks, and that if the Bill were passed he had agreed to the appointment of a Select Committee.

It seems probable, however, that the House was more influenced by the weighty and reasoned speeches made during the debates by Mr. Sotheron Estcourt, who had shown for some time great knowledge of and interest in the subject, was himself a manager of the small savings bank at Tetbury, and was known and respected for his ability and impartiality. Estcourt was a country squire of the best type. Inheriting a family tradition going back to the fourteenth century, he followed closely in the footsteps of his father, Bucknall Estcourt, M.P., who had been a popular but retiring member of the House of Commons earlier in the century. Harrow and Oxford, where he duly got his First, and a seat in the House at the age of 28 opened out prospects of

a promising career; but Estcourt, like his father, never sought office and his brief service as President of the Poor Law Board and later Home Secretary, shortly after the years we are now surveying, never did justice to his talents, and his health failed soon afterwards.

Estcourt certainly helped the Government to secure the passing of the second reading of its Savings Bank Bill, but he could not save the Bill from following its predecessors to an early grave. Willoughby had been busy in the summer of 1857 creating diversions, formulating amendments, and counter-attacking the Government on the old question of manipulation of savings bank funds, and by 20 July Sir George Lewis was forced to admit that there was no likelihood of finding time for consideration of the Bill, particularly as there were thirty amendments on the paper. On 21 August he finally capitulated. He confessed that the arrangements he had proposed had not received the approbation which, he considered, their merits justified and he announced that he would agree to the appointment of a Select Committee.

Willoughby and the St. Martin's Place Savings Bank had won another parliamentary victory, but it is doubtful if they had improved their position. Indeed, their power steadily waned after this. Probably a Select Committee was necessary to clear the air; it might have been extremely valuable had the savings banks formulated an agreed policy to submit to the Committee for developing, improving, and strengthening the savings banks throughout the country. They were, however, as we have seen, disunited and more skilled at obstruction than at construction, with the result that they found it difficult later to obtain support for such mild reforms as they thought desirable.

The Select Committee of 1858 did, indeed, seem to be a further vindication of Willoughby's tactics. He dominated its proceedings and a large part of its Report was a reproduction of his own draft. But few of the recommendations of the Committee were adopted and the voluminous proceedings of the twenty-five sittings, which are embodied in a Blue Book of over 450 closely printed foolscap pages, were of more value as a survey of the past than as a guide to the future.

Estcourt was the obvious Chairman and he showed skill and patience in steering his team, by no means all inclined to pull

the same way, to an agreed or at least compromise Report. He could rely on fairly steady support from Mr. Bouverie, a Liberal with ministerial experience as President of the Poor Law Board (a son, by the way, of William Cobbett's old friend, the Earl of Radnor), from the Rt. Hon. Thomas Baring, who, like his brother, had been Chancellor of the Exchequer, but who had a strong personal link with the savings banks as President of the Moorfields Bank, and from a number of back-benchers of moderate views including a Bramston, a Whitbread, and a Bonham-Carter. Willoughby, on the other hand, had only one or two strong supporters, of no great weight in themselves, Egerton and Turner of Manchester being the most consistent, but he was skilful in winning a measure of support from the more independent members of the Committee, of whom the most interesting were Mr. Ayrton, M.P. for Tower Hamlets, and Viscount Goderich. Ayrton was an able member with very definite views of his own, one of which was that 'the establishment of Government Banks is not only unsound in principle, but might tend to foster in the minds of the people those erroneous ideas of the nature and functions of State Government which have proved so injurious to the peace and welfare of society in other countries'. In consistently supporting this view, he opposed a state guarantee to depositors, recognizing that such a guarantee would imply a measure of state control. Ayrton is described as a man of 'great ability and knowledge' but of 'brusque manners' and he could obtain no support for the lively additions he would have made to the Report. Goderich, the son of the 'Goody Goderich' or 'Prosperity Robinson', who had passed the 1824 Act, had been in touch with the savings banks of Yorkshire and had been one of the advocates of a Select Committee. He was still regarded as an advanced Radical with Christian Socialist sympathies. He was a helpful and impartial member of the Committee and later went on to complete a long and distinguished career as first Marquis of Ripon and a staunch Gladstonian.

The Committee's terms of reference were wide—'to enquire into the Acts relating to Savings Banks and the operations thereof'—but most of its attention was directed to ascertaining: (1) what alterations in the law or administrative changes were necessary to give the depositors greater security; and (2) whether the criticisms of the manner in which the savings bank funds had

been invested were well based and, if so, what safeguards should be introduced in the interests of both savings bank depositors and the country.

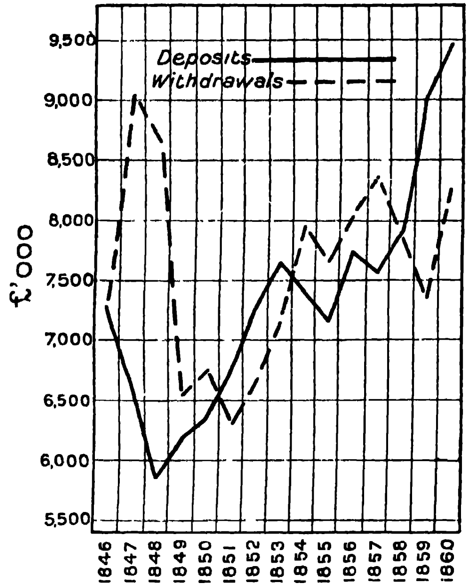
On the first question of security, the savings bank might well complain that the Committee met at an unfortunate time. Recovery from the crisis of 1847–8 had been slow. It had not been until 1851, the year of the Great Exhibition, that the million-a-year increase in savings bank deposits had been resumed. Then followed two years of good trade, rising wages, and a cheaper cost of living due to the fall in the price of bread. Three million pounds was added to depositors' balances during 1852–3, but the revival was short-lived. The next four years saw an increase of less than £2 millions. The Crimean War not only brought increased prices and taxation. Rumours about the Government's use of the Savings Banks Fund to finance the war apparently led to some nervousness about the safety of deposits on the part of the more credulous, while the shrewder depositors took advantage of the low price of Consols to buy them out of their savings bank balances. This had the usual result of forcing the National Debt Commissioners to sell out securities at a time of low prices with the inevitable adverse result in the position of the Savings Banks Fund. Soon after the end of the war came the financial panic of the autumn and winter of 1857, a short but violent disturbance of trade and finance which was bound to be very much in the minds of a Select Committee sitting in 1858. The savings banks, it is true, came reasonably well out of the crash, which brought down the Western Bank of Glasgow, the Borough Bank of Liverpool, and the Northumberland and Durham Bank and ruined countless other firms and individuals. The crisis, which spread from America, was usually attributed to over-trading abroad and excessive extension of credit facilities; consequently, it was less likely to affect savings bank depositors than industrial crises at home. It was not nearly so damaging to savings banks as the crisis of 1847–8, due to railway speculation at home. During those two years the savings banks had to draw from the National Debt Commissioners over £5 millions more than they remitted to them, whereas in 1857 the excess of drafts was less than £1 million.

Glasgow, as the headquarters of the Western Bank, naturally suffered as badly as anywhere from the 1857 crisis. The Western

Bank had over 100 branches and its liabilities to depositors exceeded £5 millions. It had the second largest paid-up capital of any of the Scottish banks. The crisis also led to the suspension of the City of Glasgow Bank for a month and it was unfortunate that it was not then wound up instead of carrying on to the devastating crash of twenty years later. For a short time panic reigned. It was intensified by the fact that some of the branches of the Western Bank had used the words 'Savings Bank' and two of them actually used the phrase 'National Security Savings Bank'. Some of the Western Bank depositors thought they were depositing in the Savings Bank of Glasgow and had government security. The Glasgow trustees had to draw £100,000 from the Commissioners—in those days a great sum and equal to about one-sixth of their funds. Fortunately, the panic subsided more quickly than was expected and some £45,000 of this was not needed, so that the real effect of the crisis, even in Glasgow, was not really as severe as in 1847, when withdrawals exceeded deposits by £85,000. Trouble was also expected at Newcastle-on-Tyne, when the failure of the Northumberland and Durham Bank became known. The Bank of England took the unusual step of advising the manager of the savings bank to arrange a special opening to counteract panic and authorized him to draw upon the Bank of England for any sum of money he might require to meet withdrawals. This definitely helped to reassure the people and there was no run on the bank. Similar situations occurred elsewhere and the members of the Select Committee of 1858, with this recent experience in their minds, were probably more impressed with the need for caution and security than concerned for the development of the savings bank movement. The Committee could hardly have foreseen the rapid recovery by the savings banks from the four bad years which preceded their deliberations. The increase of £6 millions between 1858 and 1860 had only once been exceeded in any period of three years (1822–4) (see graph overleaf).

The savings bank witnesses before the Committee had many suggestions to make as alternatives to Sir Alexander Spearman's plan, which had been embodied in Sir George Lewis's Bill of the previous year. Unfortunately they had no agreed policy. The leading actuaries, Boodle of St. Martin's Place, Wortley of Finsbury, Saintsbury of Moorfields, Finney of St. Marylebone,

Meikle of Glasgow, Nield of Manchester, Shopland of Exeter, Jamieson of Perth, Sturrock of Dundee, and Hatton of Brighton Savings Banks and the treasurers of the banks at Edinburgh and Cork (Maitland and Craig) each had their own solutions but



Graph showing deposits and withdrawals 1846–1860

did not always see eye to eye. It is true that when Mr. Boodle of St. Martin's Place was first asked by the Chairman if he was giving evidence on behalf of the general body of savings banks in the kingdom, he replied, 'Exactly so', but later, when again asked whether 'you consider that at this moment, in making any statement or representation to this Committee, you are speaking not only in your own name, but in that of other Savings Banks?' he was forced to admit 'I am not now in communication with any other Savings Bank, but only was so in the particular years referred to' (i.e. 1844 and 1848).

On one point, indeed, the actuaries all agreed—that security was bound up to a large measure with methods of book-keeping, internal check and audit. It would, however, have been difficult to find two banks with exactly the same systems and pre-

cautions. The chief credit for the progress which had been made in evolving a businesslike and, as nearly as possible, fraud-proof system of book-keeping must be given to the Edinburgh bank. We have seen that this bank had been the first to conduct its operations on proper business lines and to inform other banks of its methods. In this admirable tradition Mr. John Maitland, actuary of the Edinburgh bank, 1839–49, and later accountant to the Supreme Courts, had, in 1841, circulated amongst the banks hints on savings bank accounting. His suggestions had been adopted by a number of banks, including the important Glasgow and Manchester Savings Banks, now rapidly forging their way to the front. The St. Martin's Place system had been adopted, with variations, by a number of savings banks in the south. Mr. John Craig, an agent of the Bank of Ireland and honorary treasurer of the Cork Savings Bank, was equally emphatic that 'no system except my own will produce an accurate balance in the same time'. Craig's system had been debated by the savings banks for ten years or more and had only gained two definite disciples—Limerick and Carlisle. Its distinctive feature was the amalgamation of the prospective interest for the current year with the principal on every occasion of a receipt or payment, so that the amounts due to depositors for both principal and interest could be readily calculated weekly or indeed at any time of the year. The alternative of keeping the prospective interest in a separate column in the ledgers and only entering it in the depositors' pass-books at the end of the financial year, which was gradually becoming general, met with no favour from Mr. Craig, whose examination took up a good deal of the time of the Committee. No doubt they gave him more licence than many witnesses, because he was a forceful and entertaining personality. One of his notions was that all deposits under 5*s.* should be discouraged or, better still, refused. As the cost of the transactions of the Cork Savings Bank worked out at 1*s.* 2¾*d.* each, what was the use of taking a deposit of 6*d.*? It would be better to give the potential depositor 6*d.* and say, 'There, my good man, there is 6*d.* for you; pray do not come bothering here!' It is only fair to add that, despite Mr. Craig's eccentricities, the Cork Savings Bank had an excellent record, being the largest savings bank in Ireland and ranking fifteenth of the 600 such banks in the British Isles.

The Select Committee could not make much of the evidence it received on questions of book-keeping and procedure, but recorded its opinion that 'the most effectual restraint upon malversation is to be found in the presence of a second party in every transaction where money is paid or received'. Nor were its conclusions on the all-important question of the government guarantee to depositors elaborated as one would have expected from a Committee with such wide terms of reference. Except in one all-important respect, the recommendations followed the line of Sir George Lewis's withdrawn Bill. On the adoption of certain unspecified regulations 'regarding the accounts to be kept and the audit thereof and respecting the receipt and payment of deposits', a bank was to obtain complete government security and the right to use a special title, i.e: 'Government Security Savings Bank'. The new feature was the proposal to transfer the superintendence of the savings banks and their funds from the National Debt Commissioners to a special Savings Bank Commission of five members, of whom the Chancellor of the Exchequer and the Governor of the Bank of England (or Deputy Governor in his absence) were to be two, the remainder being appointed by the Crown. This was in accordance with the long-expressed wishes of the savings banks, who, though they had no personal grievance against Sir Alexander Spearman, who was recognized to be an exceptionally fair and able Comptroller-General, objected strongly to the direction of savings bank affairs by a Department whose interests might conflict with the best interests of the banks themselves. The setting up of a separate Savings Bank Commission and the proposed quorum of three to give validity to its decisions would ensure that Chancellors would have to take more care in the future that savings bank interests were not overlooked.

This was all very well and must be accounted a victory for Sir Henry Willoughby, but it was a victory at a high price, for it soon became clear that no Chancellor of the Exchequer, and certainly not Mr. Gladstone, whose return to power was imminent, would sponsor a Bill the professed object of which was to cut down so drastically his own discretionary power, as 'banker', of dealing with savings bank funds. The whole of the Committee's recommendations were far too bound up with this question of a Savings Bank Commission. The Government was

not prepared to concede the point; the banks, now that their views had been supported by a Select Committee, were not prepared to drop the proposal. This was unfortunate, because the banks which gave evidence before the Committee and were probably representative of the great majority, were almost unanimous in expressing their willingness to have government inspectors or auditors in return for the government guarantee. Meikle of Glasgow thought that such inspection 'would have prevented almost every fraud that has ever occurred'. The deadlock on the question of a Savings Bank Commission in 1858 effectively shelved this proposal for over thirty years. A system of inspection in the middle of the century might have accelerated a general reorganization of the book-keeping of the less efficient banks, increased confidence in their soundness, and prevented the serious blow to their hopes which was to be inflicted before the end of the century.

It is unnecessary to quote the detailed conclusions of the Committee on the other main contention of the banks—that the deficiency in the Savings Bank Fund had been largely caused by the way the investments had been made and sold by the Debt Commissioners.

The evidence given by Sir Alexander Spearman had, however, thrown much light on the way in which the Fund was invested and so helped to remove some of the exaggerated notions regarding the loss sustained through the State not regarding itself as a 'trustee' for the depositors. Mr. Boodle, for instance, had stated his belief that in the previous six years some £2 to £3 millions had been lost to the Fund by the sale of stock and purchase of Exchequer bills. Sir Alexander Spearman produced figures to show that, had no Exchequer bills been bought and no operations in stock taken place except for savings bank purposes between 1817 and 1857, the Fund would have amounted to £34,794,428 instead of its actual figure of £34,452,282. The loss to the Fund due to the transactions of the Commissioners was, therefore, limited to £342,146. But the total 'deficiency' at 20 November 1857 (that is to say, the amount by which the securities at the market value at that date fell short of the liability to the trustees of savings banks) was no less than £5,186,113. In fact, the deficiency of assets was undoubtedly caused mainly by the sanctioning by Parliament of

a higher rate of interest than the investments could yield. To a lesser degree it was due to the fact that heavy withdrawals usually occurred when the price of Consols was low and large deposits when the price was high—so sales and purchases had to be made under the most unfavourable conditions. The use of the moneys for purely state purposes was only a comparatively minor cause of the deficiency, but one which naturally gave much offence to the banks themselves, who were criticized for the liability they were supposed to be piling up for the unfortunate taxpayer.

The 'Savings Bank Deficiency' was a bogy constantly resurrected by the critics of savings banks for fifty years or more. The fact is that the Fund never recovered from the loss caused by the high rate of interest paid as a matter of state policy before 1844. Once this loss had produced an insufficiency of revenue, the deficit grew automatically; and the reduction of the rate of interest to the trustees of the banks in that year, though enough to keep a solvent fund solvent, was not enough to restore an insolvent fund to solvency. The method of valuing the Fund annually at 20 November often tended to distort the real position. If Consols happened to be high on that date, the deficiency seemed small—if low, it seemed alarming. Mr. Arthur Scratchley, who studied the whole question very thoroughly, found that on the basis of the average price of Consols during twenty-five years (£92⅝), the deficiency worked out at £4,413,917 at 20 November 1858. Of this sum he thought that no less than £3,286,526 was due to the high rate of interest credited to trustees, £621,786 to purchases when prices were high, £189,804 to sales when prices were low, and £315,801 to unfavourable investment policy due to the Government's use of the money for its own purposes.

In their references to the question, the Select Committee of 1858 accepted in the main Sir Henry Willoughby's draft, which took up three-quarters of the Report. He had secured a valuable ally in Lord Monteagle—a former Chancellor of the Exchequer—who had expressed the opinion in the House of Lords that the power of using savings bank money for state purposes, of which he had himself taken advantage when Chancellor, should be curtailed; and now gave evidence to the same effect before the Select Committee. The Committee were satisfied

that the Savings Bank Fund (though not the depositors) had suffered for the reasons stated and that to some extent a new permanent funded debt had been created without the knowledge of the legislature.

'It has been urged', says the Report, 'in favour of the existing practice, that upon two occasions, viz. in 1835 and 1844, a portion of the stock was sold, and the money so raised was applied to a fund under the safeguard of which the Chancellor of the Exchequer of the day was enabled to accomplish great reductions in the interest of the debt, by which the nation was relieved of an annual charge of many thousand pounds; and that, on the breaking out of the Crimean War, the purchase of Exchequer Bills on account of Savings Banks was a means of furnishing the Government with the necessary supplies at a moment when a loan could not have been obtained except at a serious discount.

'It cannot, indeed, be disputed that the command over so large a sum as arises year by year from the deposits of Savings Banks is a material relief to the Exchequer at critical moments, and facilitates the ordinary transactions of the Treasury in regard to Exchequer Bills. . . . It is not a light matter to interfere with an arrangement from which such accommodation has been found to arise; but your Committee think there are grave objections to this mode of proceeding, irrespective of any consideration of loss or gain to the State, which render it expedient to limit and restrain the absolute power hitherto exercised by the Government in buying, selling and varying the securities in which the capital of Savings Banks is invested; because such power withdraws from the cognizance of Parliament large financial transactions during the time when they are in the course of being accomplished; and it also occasions discredit to Savings Banks by putting them in the light of institutions burdensome to the country, when in truth it is plain that if their money were regularly invested in Consols and Bills little or no deficiency would now exist.

'Your Committee propose that in future the Commissioners of the National Debt shall be relieved from the office of investing the monies of the Savings Banks; and that this duty shall be confided to a Commission of five persons. . . .'

Moreover, the powers of investment of the new Commissioners were to be extended to enable them to invest not more than one-third of their funds in a wider range of securities, guaranteed by the Government.

The other recommendations of the Estcourt Committee all

embodied suggestions put forward by the savings bank witnesses. There should be a Consolidating Act at once; one was known to have been drafted and the need for such a measure had been impressed on members of the Select Committee, who had found the greatest difficulty in sorting out the statutory provisions and regulations of the last forty years. Secondly, the present annual and total limits of deposits should be maintained. John Maitland, hon. treasurer and former actuary of the Edinburgh Savings Bank, was the only savings bank witness in favour of lower limits; several banks thought the limits should be raised. Thirdly, no banking concerns other than those certified under the Savings Bank Act should be allowed to use the name of savings banks—a reform which has since been advocated regularly by the certified Trustee Savings Banks, without success. Fourthly, that the 1828 provisions governing the liability of trustees should be restored. Lastly, depositors should be allowed to invest sums in excess of the £150 limit in government stock, the dividends to be credited to their accounts.

It was not left to Sir George Lewis to decide whether to act on the Select Committee's recommendations, for in June 1859 Mr. Gladstone was back at the Exchequer. When asked a few weeks later what he proposed to do about the savings banks, he replied that it was possible a Bill might be introduced on one or two points, but the session would not last long enough to afford reasonable prospects of a general Bill. It was soon clear that Mr. Gladstone was not prepared to follow the Select Committee very far. He introduced a 'Savings Banks and Friendly Societies Investment Bill' early in 1860. It dealt purely with the investment of savings bank moneys. The Chancellor of the Exchequer was no longer to have power to convert Deficiency and Consolidated Fund and Ways and Means Bills into permanent public debt and was to give Parliament fuller information about the transactions of the National Debt Commissioners. 'There have been occasions', he admitted, 'on which uses have been made of these powers which I am not prepared to justify,' but substantial power must remain with the Finance Minister. The Bill provided for a larger range of investments for savings bank funds, to include certain government guaranteed stocks giving a higher rate of interest, but the power of investment by the Debt Commissioners was to be limited to one-quarter of the sum

held by the State, the remainder to be inscribed in State Deposit Account No. 1, bearing interest at 3 per cent., the amount being subject to rectification each year. The mention of 3 per cent. led to a suspicion that a reduction of the rate payable to trustees would be a natural sequel to the passing of the Bill.

What was at once clear to Estcourt and the other members of the Select Committee was that their proposal for a Savings Bank Commission was to be shelved. They challenged Gladstone on the point and accused him of not giving consideration to the Committee's recommendations. 'Consideration', retorted Gladstone, 'does not necessarily imply adoption. A man may consider and adopt or consider and decline.' It was clear that he was now definitely in the latter category. He turned on his critics and upbraided the Select Committee for not devoting even one-tenth of the whole inquiry to questions of management of the banks. What was all this talk about the importance to depositors of the way the money was invested? 'If the Government made ducks and drakes of twenty million pounds out of forty millions, the moral obligation existed for the restoration entire and scathless of the monies which the State had received.'

The gloves were off now. Members of the Select Committee—Estcourt, Willoughby, Baring, Ayrton, Turner, Henley, and others in turn—denounced the Bill in language which Gladstone thought on one occasion had 'gone to the extreme verge of Parliamentary licence'. He suddenly switched to a violent attack on the savings banks and their officers.

'There were no doubt certain officers of Savings Banks who had an interest in maintaining the power they now had of cutting and carving on the sum that formed the difference between the £3: 5: per cent. paid by the public and the sum paid to depositors. These officers endeavoured to maintain their own interests by sending in petitions against the Bill, which, as they thought, tended to diminish the funds available for defraying the expenses of Savings Banks and raising all those beautiful buildings that were to be seen in so many of the towns of this country—buildings used for two or three hours a week for Savings Bank purposes and which formed very agreeable residences for those officers.'[1]

[1] This sweeping assertion seems to have been based on a single instance. The Head Office of the Chester Bank (five miles from Hawarden), built in 1853, was at the time only open to the public a few hours a week and contained comfortable residential quarters.

This outburst did not do the Chancellor any good. The first clause of the Bill was defeated by 116 votes to 78, a defeat which clearly wrecked the Bill. Gladstone left the House to ponder over the situation. He confided to his diary, 'July 20 H. of C. Lost my Savings Bank Monies Bill; my *first* defeat in a measure of finance in the House of Commons. This ought to be very good for me, and I earnestly wish to make it so.'

Ten days later the Chancellor of the Exchequer produced another Bill, still smaller and as nearly as could be non-contentious. There were only two clauses limited mainly to enlarging the powers of purchase of the Debt Commissioners to include government guaranteed stocks, a minor recommendation of the Select Committee which had been generally supported. Estcourt gave the new Bill his blessing, again stressing the need for a general measure, and it passed quickly through the Commons. It was now late in the session and a Resolution of Urgency, which required to be passed if a Bill reached the Lords after a certain day, unless it were a Bill of Aid and Supply, met with unexpected opposition led by Lord Monteagle and supported by Lord Redesdale, who did not hesitate to confess that he was expressing the disapproval of the St. Martin's Place Bank, of which he was a trustee and vice-president. Monteagle almost succeeded in killing this modest measure. The Bill, he contended, did not go to the root of the matter and offered no remedy to known defects. It would increase the Government's power to manipulate the stock markets and tended to place more stress on the rate of interest than on the safety of the funds. Eighteen peers voted for the Government's resolution and eighteen against it, so that it was automatically defeated. Undeterred by this and by the protests of Lord Salisbury and others, Earl Granville reintroduced the Urgency Resolution the next day and carried it. After further verbal duels between Lord Granville and Lord Monteagle on the second reading and in Committee, during which the latter tried unsuccessfully to introduce a clause giving statutory protection of the words 'Savings Bank', the Bill completed its course and received the Royal Assent on 28 August. Lord Monteagle not only recorded his dissent but, at the first opportunity, introduced a Bill of his own to prevent unsound or doubtful concerns

from calling themselves savings banks. The Bill made some progress, but never became law.

Gladstone's two-clause Act was the only immediate outcome of the long and arduous deliberations of the Select Committee of 1858. But the discussions and the defeat of Gladstone's first Bill had turned the mind of its promoter to a new and more revolutionary approach to savings bank problems. He had received the previous year an interesting letter from Mr. Sikes of Huddersfield containing proposals of a novel character. If the Trustee Savings Banks were determined to oppose him, why should he not use the machinery of the Post Office to run a state savings bank which would encourage thrift in places where no savings facilities yet existed, bring more money to the Exchequer and, incidentally, either kill or reinvigorate by competition the old savings banks, which had proved such a thorn in the flesh of a succession of Chancellors of the Exchequer? With his usual vigour he set to work to study proposals for a Post Office Savings Bank.

Chapter IX

THE POST OFFICE SAVINGS BANK

GREAT reforms seldom draw their inspiration from a single source. There were a number of competitors for the distinction of being the real founder of the savings bank movement at the beginning of the nineteenth century. So it was with the Post Office Savings Bank.

If we are looking for the originator of the idea of using Post Office machinery for collecting the savings of people of small means, there is no real rival to Samuel Whitbread, whose Bill of 1807 to establish a 'Poor's Fund and Assurance Office' for investing the savings of the poor was noticed in an earlier chapter.[1] If we are looking for the driving personality who forced the issue to the front between 1859 and 1861 and popularized the idea of a Post Office Savings Bank, then Charles William Sikes is undoubtedly our man. If, on the other hand, we are looking for the first person to evolve the working plan for putting these ideas into practice, the real founder of the Post Office Savings Bank of to-day, we must admit the claims of George Chetwynd, then book-keeper at the Money Order Office of the Post Office, who became the first Controller of the new venture. The admission of these claims does not diminish the credit due to Mr. Gladstone, whose mind sensed the possibilities of this great new state enterprise, for which there was no precedent in any other country, and whose energy and determination placed the Act on the Statute Book.

Whitbread's scheme had provided for the remittance to a Poor's Fund through the Post Office of small savings up to £20 a year or £200 in all. The savings were to be invested by the Commissioners of the Poor's Fund in government stock, on which the depositors were to receive dividends. If they wished to sell, the stock would be sold for them at the price of the day and the proceeds remitted to them through the Post Office.

Had Whitbread made his proposals fifty years later, they would doubtless have been very different, for the Britain of the

[1] See p. 36.

1850s and 1860s was very different from that of 1807. Moreover, there was nearly half a century's experience of Trustee Savings Banks to guide the new reformers and a much developed Post Office to handle the business. The Money Order Department, for instance, which had made a shadowy start at the end of the eighteenth century as a semi-private venture, was wholly taken over by the Post Office in 1838 and twenty years later was handling nearly seven million orders a year to a value of £12,662,000. Clearly a department which could cope successfully with such a huge mass of small money remittances through a network of 2,360 offices was ripe for the further expansion contemplated by Sikes and Gladstone.

This is not to say that the question of using the Post Office to supplement the country's savings machinery had lain dormant between 1807 and Sikes's letter to Gladstone of September 1859. But it was not until the controversies of the early fifties had raised questions about the structure and security of the old savings banks that Whitbread's scheme began to be seriously discussed again. It is not surprising that it was in Ireland that the question was first re-opened,[1] for Ireland, as we have seen, had been the chief sufferer from the defects of the early Trustee Banks. Dr. W. Neilson Hancock of Dublin felt strongly on the matter, as he pondered over the Cuffe Street frauds. He gave some of his conclusions to the Dublin Statistical Society, of which he was secretary, in 1852, expressing, amongst other opinions, the view that 'a Government institution, like the Money Order Office, with Government officers and Government security for those officers, would be infinitely better than the present system of divided responsibility and absence of security'. Three years later he wrote another pamphlet, *On the present state of the Savings Bank Question*, in which he expressed similar views and it seems that he drew the attention of the Post Office to his statements, though these never assumed a very practical form. He made no claim to be the originator of the 1861 plan, but he strongly backed Sikes's proposals and, once the Post Office Savings Bank was established, became a rather acid critic of the old savings banks, contending that their continuance was a 'waste of charitable effort' and advocating their closure.

[1] But see Mr. Scratchley's proposal of 1851 for extended use of the Post Office machinery, p. 135.

Meanwhile, the Rev. George Hans Hamilton, vicar of Berwick-on-Tweed, had made definite proposals for a Post Office Savings Bank in 1852 and had communicated these to the Treasury through a relative who was employed there. He proposed:

1. That deposits from 1*s.* to £10 be received daily at every Post Office in the United Kingdom at which Post Office Orders are now issued, and the amount forwarded daily to the National Savings Bank, London.
2. That the Postmaster, upon receiving a deposit, do issue a document of acknowledgment to the depositor, with printed instructions attached thereto, directing the depositor to write to the London Office, if a receipt be not received by him through the post from the London Office within   days.

The germ of the scheme was here, but Mr. Hamilton received no great encouragement and did not possess the zeal of Mr. Sikes in pressing his views further on a sceptical Civil Service.

Mr. John Bullar, barrister, committed his own conclusions to paper four years later, in 1856. He does not appear to have known that the question had been raised before and claimed that it was his experience as a member of the Committee of a Penny Bank in Putney that led him to study the defects of the savings bank system. The principal defects were the lack of perfect security to depositors and the short hours during which most of the existing savings banks were open. The solution was 'that the Money Order Department of the Post Office should be made a National Savings Bank, investing the deposits in Government Securities, paying a moderate rate of interest (say two-and-a-half per cent.) and paying interest only on round pounds deposited for not less than a quarter of a year'.

Mr. Lewins, the contemporary historian of savings banks, interviewed Mr. Bullar about his scheme and the sequel is best told in his own words:

'Mr. Bullar describes that at that period he was too much occupied to enter into the matter so fully as was necessary, or to agitate by means of the press for some such scheme; but Mr. Bullar's friend, Mr. Joseph Burnley Hume (eldest son of the late Mr. Joseph Hume, M.P.), who had some leisure at command, and perhaps some of his father's desire to achieve an amendment of the Savings Bank system, undertook to bring the matter forward in the proper official quarters. He early saw Mr. Frederic Hill, who was in charge of the Money

Order department of the Post Office, and learned from him that the same scheme had already been suggested to the Post Office and rejected after full consideration. A month afterwards Mr. Hume saw the Duke of Argyll, who was then Postmaster-General, and received a courteous hearing from him. The Duke also said that the Post Office had had the question, or something like it, before them, and that he thought the Chancellor of the Exchequer still had something of the kind under consideration; but gave no definite reply. Subsequently he saw Sir Alexander Spearman, the Comptroller of the National Debt Office, and Mr. Tidd Pratt. "He gathered from them", to use Mr. Bullar's own words, "that they were with him in principle, but regarded the proposed Money Order department as visionary, and that the Government had under consideration a different scheme, which they preferred." Having in this way met with enough discouragement to hinder them—or any other person who might be cognizant of the proceedings that had been taken—from going further, they dropped any further steps to bring about this desirable change.'

It is evident that the General Post Office, the Money Order Department, the National Debt Office, and the Treasury were, by 1856, familiar with the notion of a National Savings Bank worked through the machinery of the Post Office, had made some study of the subject and were considering schemes to this end without, as yet, having found a thoroughly satisfactory one. Yet no breath of such a revolutionary proposal reached the Committee Room in which the Select Committee of 1858 examined, among others, Mr. Charles William Sikes of Huddersfield.

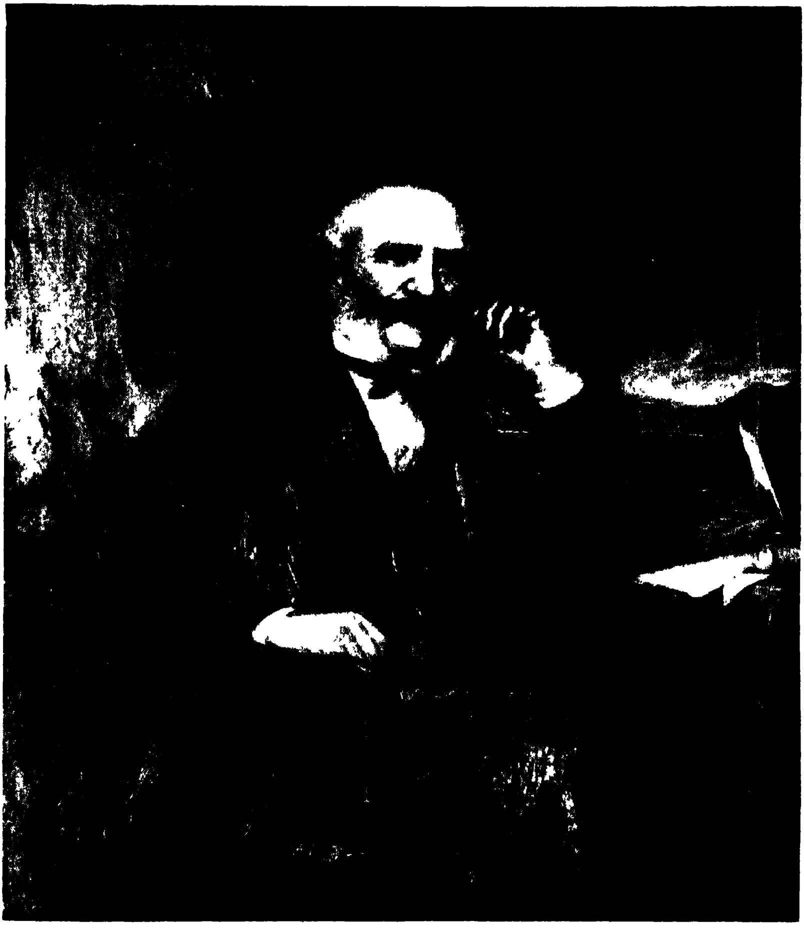
Sikes was a banker in the service of the Huddersfield Banking Company. For many years he had shown an active interest in working-class conditions in the West Riding of Yorkshire. His fervent belief in the virtue of self-help, combined with his banking experience, led him to study the facilities for saving open to the ordinary wage-earners. He soon concluded that they were inadequate. The hours of opening of savings banks were too short and inconvenient to many working men; the distances of the offices from the workers' homes too great. His first idea was to institute a system of penny banks to act as feeders to the savings banks. To carry out his object he proposed to enlist the help of the Mechanics' Institutes, which were by this time common in most industrial areas, particularly in the north. If

each Institute set up a Savings Bank Committee and appointed a treasurer for the purpose, they could conduct 'Preliminary Savings Banks' once a week and help their members to accumulate in small sums the pounds which could later be deposited in the nearest Trustee Savings Bank. This scheme was first ventilated through the columns of the *Leeds Mercury* in 1850 and a pamphlet was later distributed to people likely to be interested. The idea was taken up in a number of places. The Yorkshire Union of Mechanics' Institutes warmly supported it and there was a considerable growth in penny banks and preliminary banks all over the country, those at Annan and Dunfermline in Scotland being among the earliest. Sikes went to some trouble in advising a simple and effective system of book-keeping.

Sikes, like Dr. Duncan before him, became regarded as the authority on small savings. His correspondence brought home to him the need for more saving facilities, not only in the thickly populated areas, but in the country districts. He realized that his preliminary banks, good as they were, could never wholly cover the ground and his active mind began to search round for other solutions. His next pamphlet, *Good Times; or the Savings Bank and the Fireside*, was mainly a homily intended to encourage thrift through the existing savings bank system, but he was already convinced that changes in the system itself were overdue. He obtained information about the methods of savings banks in the United States.

In 1856 he wrote his views to Sir G. C. Lewis, the Chancellor of the Exchequer, and obtained an interview with him. He had gained by this time a wide view, rare in a system so intensely local, of the savings movement as a whole. He had no difficulty in pointing out the many gaps in a structure intended to be all-embracing, the lack of any serious attempt to fill those gaps, the poor services given by many of the existing banks, the varying rates of interest and the other defects we have already noted.

Sikes was quite clear that he had correctly diagnosed the disease, but he was as yet less sure that he could prescribe the cure. There must be a state guarantee. There must be some central controlling body which should inspect the banks and enforce strict audits and a uniform system of book-keeping; above all, the savings banks must give a full service, easy facilities for deposit and withdrawal and longer hours—the



SIR CHARLES WILLIAM SIKES, 1818–89

(Reproduced from a painting in the Town Hall, Huddersfield)

policy which had been successfully practised, but preached with less success, by the Edinburgh Savings Bank and later but equally vigorously by Glasgow and Manchester. To make the system self-supporting, he suggested that a lower rate of interest ($2\frac{1}{2}$ per cent.) should be paid to those with more than £100 on deposit and that a wider range of investments for the funds should be permitted, including first mortgages and railway debentures. As for any losses to the State through defalcations, the banks could themselves contribute out of their surplus funds to a central guarantee fund. It seems that Sikes felt, up till 1859, that if confidence could be restored in this way there might be a revival of the pioneering spirit of forty years before and the establishment of Trustee Banks in places where they were most urgently needed.

He therefore began to canvass the other banks for support. First he enlisted the wholehearted support of his fellow managers of the Huddersfield Savings Bank in April 1857. He then wrote to forty or fifty of the leading savings banks in other parts of the country and to the National Debt Office. The replies from many of the banks were favourable. When the Select Committee met a year later, the care with which they cross-questioned him showed that they recognized that his opinions had only been formed as a result of extensive research and study and were entitled to great respect. His evidence was useful and interesting, but contained no hint of the new idea he was to propound so vigorously eighteen months later. He stuck closely to the proposals he had embodied in his letter to Sir George Lewis, backed the savings banks in their request for an independent commission and gave the Committee a good deal of information about the New York savings banks. So far from envisaging the State as a banker, he still professed a firm belief in private enterprise as represented by the Trustee Banks and joint-stock banks. 'Is it your opinion', he was asked, 'that the joint-stock banks should supersede the system of savings banks?' 'No', he replied, adding rather enigmatically, 'but I should rejoice at all transfers of money from savings banks to joint-stock banks and I wish the State to step in and merely do that which individuals cannot do.' The joint-stock banks were not at present prepared to take small sums or to offer interest on them equal to the interest offered by the State, therefore the State

must see that some agency, equally widespread, would carry out this duty of great social importance. Sikes's views, therefore, underwent a remarkable change between the time of his evidence before the Select Committee in April 1858 and June 1859, when he first published his new scheme. What turned his mind into this revolutionary line of thought does not transpire; the idea seems to have come to him suddenly; but once he had seen his new vision, he determined with his usual energy to proclaim it.

The essence of the new scheme was to allow sums of £1 and over to be remitted from Post Offices throughout the country to a chief savings bank in London by means of money orders. In return, the depositors would receive 'interest notes' giving the recipients the right to be paid interest at the rate of 2½ per cent. per annum. This scheme, suitably elaborated, was first put before Mr. Edward Baines, M.P. for Leeds, who passed it on with his blessing to the sympathetic consideration of Mr. Rowland Hill, still in charge of the Post Office. Its reception here was encouraging. The Post Office officials thought his plan workable. They would study it further with the idea of recommending it to the Postmaster-General. The summer of 1859 passed and the scheme might even yet have been pigeon-holed. Sikes therefore determined to approach Mr. Gladstone himself. In September he wrote to the Chancellor of the Exchequer at great length, expounding his views with force and skill. The letter is of sufficient interest and importance to justify a few quotations.

Sikes began by quoting statistics to show the inadequacy and relative lack of progress of the savings banks and contrasting this state of affairs with the rapid development of the Money Order Department and the widespread nature of its organization. He then explained his plan:

'To illustrate how the plan would work, a business transaction may be described. A working man presents himself at a Money Order Office with a sum—say four pounds—for the Savings Bank. His name and amount are entered upon an application form and the duplicate given to him as a temporary receipt. Supposing this the only transaction, the Postmaster remits the four pounds to the establishment at St. Martin's le Grand (which is daily supplied with the required notes by the Chief Savings Bank) and within two or three

days a £4 Savings Bank Interest Note arrives. The Postmaster enters the number of the note in a register, he then impresses the ordinary Post Office stamp with date, and writes in a distinct hand the owner's name on a line on the front of the note, thereby giving it a local character and rendering it non-negociable except at that Money Order Office and by the very party to whom it belongs. On the applicant calling and exchanging his temporary receipt for the Interest Note, the transaction would be complete. . . . In the withdrawal of money the process would be equally simple. A depositor would present his Interest Note and endorse it. If not personally known, the usual signature book tests his identity, and for the Note a temporary receipt is given to him. The Postmaster, from the interest being exactly a halfpenny per pound per month, or sixpence a year, and incomplete months excluded, reckons it at a glance, marks it on the Note and transmits it to London to the credit of his office. On being duly advised from St. Martin's le Grand, he pays the depositor his money, receiving back his temporary receipt and the transaction is complete.'

The limiting of deposits to sums of £1 and over seemed to Sikes essential for a simple and economic scheme, but he knew that the saving of the pence was the natural training for the saving of the pounds and that provident habits must be taught, not left to grow.

'In diffusing a practical knowledge of Savings Banks among the industrial classes, all public schools and Mechanics' Institutes might render inestimable service. And it would be an auspicious movement if working men would form themselves into what might be termed Savings Bank societies. Each member might make a certain fortnightly or monthly payment and, at the close of one or two years, the accumulated money, with any interest accruing thereon, might be duly divided. The sums drawn from these accumulations would be very suitable to take to the Money Order Offices as deposits for the Chief Savings Bank.'

Sikes made it clear that his proposals were not directed against the existing savings banks.

'It may here be observed that the Money Order Offices are not intended to compete in the slightest degree with existing Savings Banks, but to give accommodation in districts entirely without such institutions: also that a tribute of admiration is justly due to the Managers and Actuaries of such Savings Banks as the St. Martin's Place, the Manchester, the Edinburgh and the Glasgow for the

excellence of management which has raised those institutions to their present high position.'

The letter proceeded to deal at length with book-keeping and administrative details and then reverted to the main thesis—the urgent need for increased facilities to bring savings banks to the people.

'In an examination before the Committee of the House of Commons on Savings Banks, I mentioned as an estimate that in the United Kingdom 2,500,000 persons, for whom Savings Banks are especially intended, are not depositors. The fault is not entirely theirs. . . . At the present in many populous districts men have to leave work and walk six, eight or ten miles to the nearest Savings Bank—possibly to find it closed on that day. . . . Much of this might be remedied by the proposed plan. . . . Wherever a Money Order Office is planted, let the Savings Bank be under its roof. May I then earnestly recommend the establishment of a Chief Savings Bank. Authorize the proposed Interest Notes, constitute each Money Order Office a medium through which the Notes may be obtained, and you virtually bring the Savings Bank within less than *an hour's walk of the fireside* of every working man in the Kingdom. To have a Savings Bank deposit is a fine auxiliary to a working man and his family in the various exigencies of life. To be without this, or similar provision, is to be poor indeed—a condition into which, it is sad to know, many men who live industrious lives too often sink. Give them the opportunity of averting such a fate. Thousands upon thousands would hail with delight the day.'

The letter made an immediate appeal to Mr. Gladstone. He discussed the proposals with Sir Alexander Spearman and senior officials of the Post Office. Difficulties of an accounting nature were not hard to find and Gladstone himself retained his objection to the incorporation in Sikes's scheme of the Select Committee's proposal that savings bank funds should in future be invested by an independent Commission. He urged the appropriate departments to study methods of overcoming the difficulties; meanwhile he proceeded to submit to Parliament his own proposals of 1860 for reforming the existing banks, fortified by the knowledge that a promising alternative or ancillary scheme was in the background, almost ready to be brought to the front of the stage.

Sikes continued his exertions to influence public opinion in favour of his proposals. He gave them wider publicity through

the Press and circularized the savings banks, chambers of commerce, and other representative bodies, together with many individuals of standing. It is disappointing that so little is known of the reaction of the trustees, managers, and actuaries of the savings banks to Sikes's proposals. The Manchester Bank appointed a special sub-committee which reported, after considering them, that they did credit to his heart but were of doubtful practicability. There does not seem to have been any concerted action on the part of the existing savings banks and the reception of the plan seems to have been more favourable than would have been expected.

Meanwhile, the Post Office officials were busy examining the proposals, but it was not until Mr. Chetwynd broke away from the Sikes plan and evolved a new scheme on lines of his own that much progress was made. Chetwynd decided at once that remittance by money orders and acknowledgement by interest notes was too cumbersome and expensive a system and must be abandoned. He also saw that the exclusion of deposits under £1 would seriously detract from the value of the scheme.

With the aid of Mr. Scudamore, the Receiver and Accountant-General of the Post Office, he evolved the simple plan based on entries in a depositor's pass book of sums deposited or withdrawn at any post office, which is the foundation of the Post Office Savings Bank system to-day. Within a few weeks a workable and attractive scheme was presented to Mr. Gladstone, who, as we have seen, having failed in his dealings with the old savings banks, was now ready and anxious to proceed with it.

The scene once again shifts to Parliament where, on 8 February 1861, Mr. Gladstone brought forward the necessary Financial Resolution 'to afford facilities for the deposit of savings of small amounts to those who did not possess them or possessed them imperfectly under the present system of Savings Banks'. He skilfully marshalled Sikes's figures of the slow growth of the old savings banks as compared with the rapid increase of money order business and then propounded his solution in as unprovocative a way as possible. The plan, he claimed, 'avoiding competition with existing Savings Banks, would greatly enlarge the facilities of making small deposits. The rate of interest would be only 2½ per cent. as against 3¼ per cent. to the ordinary Savings Banks'—a rather unfair comparison, because

the $3\frac{1}{4}$ per cent. included an allowance for expenses and the majority of the banks were only able to pay £2. 18*s.* 4*d.* per cent.; the $2\frac{1}{2}$ per cent. to the Post Office excluded expenses of management, the cost of which could not, as yet, be estimated with any accuracy. Still, the old banks would clearly retain some interest advantage over their new state-guaranteed competitor.

But was it to be competition? Was the Chancellor administering a poison intended to produce euthanasia in these stubborn local banks which would not yield to persuasion and 'smelt of class'? He had sprung his great surprise and the parliamentary guardians of the old savings banks were temporarily nonplussed. They were not prepared to take a definite line on the proposals at short notice. The only immediate reaction was on the part of two members who at once rose to give the scheme an unqualified blessing—Frank Crossley of Yorkshire, a friend of Sikes, and Kinnaird of Perth. Three days later Estcourt asked for more information on a matter so 'pregnant with important results', but it was obvious that the main discussion must await the second reading of the Bill itself. This was not long delayed.

The second reading debate took place on 18 March at, as Estcourt protested with some justification, the unreasonable hour of 12.30 a.m. Estcourt was now the acknowledged spokesman of the old savings banks, though Willoughby, with his more forthright methods, was still at his elbow. The most vigorous opposition, however, was to come from Ayrton who, as we have seen, had a nose for scenting any suspicion of State Socialism. He had indeed gone so far as to suggest to the Select Committee that the 'Postmaster-General should afford every facility practicable for the remittance of moneys to Savings Banks', but this proposal was linked up in his mind with the independence of the banks and the transfer of the central authority from the State, represented by the National Debt Commissioners, to an independent Commission.

Estcourt's attitude was a discouraging neutrality. He would not oppose the Bill, but he feared its effects on the present savings bank system, which he preferred. 'One must anticipate that in a short time the new Banks would absorb not only *all* future deposits, but also a great part, if not all, of those which had been made in the existing Savings Banks.' The Govern-

ment should decide which of the two systems it was more statesmanlike to maintain. Gladstone was ready with his reply. He

'could not say whether the system would be very extensive or not; nor could he anticipate whether the operation of the new Bank would be to draw away custom from the present Savings Banks. No doubt many depositors would be attracted by the system of secrecy, but a great deal of the favour with which the present Savings Banks were regarded depended on the personal confidence which the depositors felt in the Managers of those Banks. . . . If the old suffered from the competition of the new, it could only be because the new were better, and, if so, they ought to have the preference.'

As a concession to the protagonists of the old system, he promised that Post Office facilities should first be given to places without savings banks or with narrow facilities, but added that he was of opinion that had the Post Office system been thought of forty-five years earlier, no one would have dreamed of the present system.

The second reading passed without a division. It was at the Committee stage that Ayrton had his say. He objected to a national bank with a large London establishment. He foresaw a loss to the State in handling thousands of small deposits and a discouragement of working men's own benefit societies, which induced a feeling of self-respect. The present savings banks, with all their imperfections, were infinitely preferable to a great government institution. Gladstone tried a tone of mild banter in reply. 'When the Hon. Member rose into the air on eagle's wings, he passed over the limits of time and space and was not subject to any of the conditions that bound the efforts of ordinary mortals.' He admitted that any estimate of cost must be hypothetical, but hazarded the opinion that the cost would not exceed 7*d.* per transaction as against the 1*s.* of the existing banks. The operation of the new system would, in any case, be gradual and its extension proportionate to the demand. He now saw that he had the majority of the House behind him and was not disturbed when another member, Mr. J. I. Briscoe of West Surrey, asked him point blank whether he intended the measure as auxiliary to or subversive of the present system. He could not say. What he could say was that he was providing facilities where none at present existed. He 'thought it probable that one class of depositors, who desired secrecy in their

investments, would prefer the new institution; while another class, who wished to act under the immediate view of their local superiors, would prefer the existing Banks'. This was a shrewd hit at those savings banks which still retained a strong flavour of patronage and in which the honorary managers exercised a benevolent oversight over the accounts of the 'lower orders'. It brought Willoughby to his feet, but the Hon. Member for Evesham's reiterated objections to the National Debt Commissioners and his objections to making the Postmaster-General a kind of banker had lost their old sting. He correctly foresaw the closing of many of the existing savings banks and asked the House to consider if it were wise to pursue such a policy.

Willoughby repeated his old Select Committee thesis on the clauses dealing with the financial machinery for remitting money to the Government. He fought a lively but losing battle with the Chancellor. His reference to Goulburn as 'that honest Chancellor of the Exchequer' was intended to wound and may have done so, but Gladstone carried the House with him in repeating his old assertion that the depositors were certain of getting their money back and 'the less they knew about anything else, the better'. The fight in the Commons was won. No stream of petitions against the Bill had descended upon members from savings banks, as in the ill-fated Bills of the previous decade. No obstructive amendments were set down. There were no divisions at the Committee stage. The third reading passed without discussion and the Bill went up to the House of Lords, virtually unaltered, in April.

Lord Monteagle was waiting for it. He at least would fight it with all the ammunition he could collect; but he had few supporters. The Postmaster-General, Lord Stanley of Alderley, confronted him with the unanswerable facts that only 20 of the 624 savings banks had a daily opening and that 20 towns with over 10,000 inhabitants were altogether without savings facilities. After paying tribute to Whitbread's plan of 1807 and to the exertions of Sikes and 'two able gentlemen in the Post Office', he urged the House to give the experiment a trial.

Lord Monteagle's long speech on the second reading was the ablest apologia for the old system to which either House had listened. His memory carried him back to the 1817 Act, which had first given statutory recognition to the savings banks, and

he proudly sketched their history. They had done wonderful work and had attracted £40 millions of small savings. Now it was proposed to interfere with their very existence by substituting for skilled actuaries postmasters, many of whom were unfit for this job, and, in doing so, to incur unpredictable expenses. The local personal touch was far more valuable than a centralized machine, promoting, as it did, a friendly connexion between the upper, middle, and lower classes. Like Willoughby, he distrusted the additional financial power given to the Chancellor of the Exchequer, who could use it, among other things, to give a fictitious value to Treasury bills. He paid eloquent tribute to Estcourt, whose labours on the Select Committee were set at nought—'a gentleman whose name was esteemed wherever probity and intelligence and a deep interest in the welfare of the working classes was held in honour'. He also thought the voluntary work of the trustees deserved its fair meed of recognition. Finally, after maintaining his solitary struggle up to the third reading, he insisted on putting on record in the form of a Protest of nine clauses his personal objections to a measure which he was powerless to resist. 'He could not see without regret and alarm', he told his fellow peers, 'what seemed to him *meant* to produce a breaking up of the existing Savings Banks and the substitution of the action of a salaried Government Department for what he might call a great public charity, directed by benevolent persons acting gratuitously in their own neighbourhood.'

The Post Office Savings Bank Act, which Gladstone afterwards regarded as one of the six major measures of which he was most proud on the criterion of 'achieved results', received the Royal Assent on 17 May 1861. Its passing was enthusiastically acclaimed by a large section of the Press, including *The Times*. Edwin Chadwick, the Poor Law reformer, applied to it Peel's cynical aphorism that it was 'so thoroughly good a measure, he wondered how ever it passed'. Seldom has a major reform been inaugurated with such a chorus of approval and with better prospects of success. The demise of the old savings banks was freely prophesied, by some with regret, by others almost with satisfaction. They were clearly faced with the most critical struggle of their history—a struggle for survival.

Chapter X

PENNY BANKS

THE rather barren period in savings bank history which had preceded the establishment of the Post Office Savings Bank was redeemed by the beginning and growth of one of the most remarkable and beneficent of the many voluntary movements which have sprung up from time to time in this country. In the last chapter mention was made of the considerable exertions of Mr. Charles Sikes of Huddersfield in promoting penny banks in connexion with Mechanics' Institutes. Sikes, like Dr. Henry Duncan, was one of those dynamic personalities who, by their activities and enthusiasm, stake out an irresistible claim to be regarded as pioneers. But Sikes never professed to be the originator of the penny bank.

The origin of these simple but invaluable institutions, which have done so much to inculcate habits of thrift and to act as feeders to the savings banks, is considerably more misty than that of the savings banks themselves. The importance of saving the smallest coins was stressed by all the early protagonists of the savings bank idea. The exhortation to 'take care of the pence and the pounds will take care of themselves' had been widely quoted since the days of Lord Chesterfield. Some of the earliest recorded experiments in attracting small savings, like those at Wendover and Hertford at the very beginning of the century, were really the forerunners of church penny banks rather than of savings banks.

When savings banks were conducted informally in small rooms, it was not unknown for people to bring along a penny or two to the minister or whoever was in charge. But though the virtue of the 'penny saved' continued to be preached, the humble penny was not always welcomed as a deposit. As the savings banks grew in size and importance, their rules usually stipulated for a minimum deposit of one shilling. At this time a shilling was a considerable sum out of a week's wages, even to many adults, and must have seemed to poor children wealth almost beyond their dreams. Nor could a working man be expected to go out of his way at the end of the day's work to

deposit a few pence. The savings bank office might be far from his home, perhaps out of reach, perhaps open at inconvenient hours. The first step in thrift often required the help of a simpler organization than the average savings bank, with its weighty ledgers and complicated interest calculations.

It is highly probable that research would record many isolated savings groups of the nature of penny banks before the real penny bank movement started in the late forties. There is a record of a Unitarian Sunday School Penny Bank in Manchester in 1830. Chester Savings Bank acted as bankers for 'parochial provident societies' from 1836. The existence of simple receiving agencies in country districts, often conducted by clergymen, had been successful in Devonshire since the early years of the Exeter Bank. The Glasgow Savings Bank started receiving agencies in surrounding districts—Govan, Partick, Milngavie, Kirkintilloch, and even as far as Dunoon—between 1838 and 1845. These were less formal than branch offices and more in the nature of district penny banks. In view of more recent developments of savings groups in works, it is interesting to find industrial agencies in operation in Mr. Hood's Cooperage and the Glasgow Gas Works as early as 1839, the Monkland Iron and Steel Works (1840), and Kerr & Co.'s Nailery (1841).

A lively account of the formation of the last of these agencies is worth quoting:

'Three years ago nearly all the men in this works were, seemingly, afflicted with "a spark in the throat" and spent a very large portion of their wages on ardent spirits to quench it. As might have been expected under such circumstances, both their persons and dwellings presented standing proofs of the most squalid wretchedness and their employer was frequently annoyed by their suspension of labour to gratify their corrupt propensity, at times when the hurried execution of orders rendered him most dependent on them. However, by the exercise of a little kindly feeling towards them, matters began to assume a more pleasing aspect. By being regarded and spoken to in their sober moments as rational and accountable beings, and having exhibited to them the advantages they were likely to derive from connecting themselves with the Total Abstinence Society and the Savings Bank, one after another was cured of the long-existing malady and not only took up a new position among his fellow workers, but was enabled to provide himself and family with household

comforts to which they had previously been strangers. With a view of cherishing such newly formed habits, their employer afforded them the weekly opportunity of husbanding their spare earnings by forming among them and conducting a little agency of the National Security Savings Bank.'

These industrial agencies were mainly directed to short-term saving for rent and other purposes, but even if only a small amount was permanently saved, they had a value in teaching simple domestic economy. It is recorded in a Glasgow Report of 1846:

'In several of the manufacturing districts and in some public works, the plan of Savings Associations has been adopted with entire success. . . . The usual practice is to divide the accumulated funds among the members according to their shares, twice a year at 20th May and 20th November and to commence anew. Each member after paying his rent and other half-yearly claims may then lodge the residue of his dividend, if any, in his individual account with the Savings Bank.'

Savings groups in works, however, have always been attended by special difficulties, and suspicions that the employers might have some ulterior motive in encouraging thrift were heard in the eighteen-forties as in the nineteen-forties. The Lord Provost of Glasgow, when appealing for the support of employers in 1838, felt constrained to add:

'It was thought the owners would become acquainted with the amount of their workmen's savings and reduce their wages. This was a strange fallacy—for the very fact of their having saved money would place them on a footing of independence which would best enable them to resist any attempt to lower wages.'

It was only a few of the most enterprising savings banks which had sought to extend their influence by starting agencies during the first half of the century. Nor can they be blamed, for they had not the staff to supervise the work, and the dangers of accepting responsibility for unsupervised work were well known. Some banks, indeed, had closed branches, owing to the trouble and expense involved and the very small margin allowed for management expenses. The only real hope was for a revival of the voluntary enthusiasm which had characterized the days of Dr. Duncan. Scotland again claimed the credit of showing the way.

A Mr. J. M. Scott of Greenock is usually regarded as the father of penny banks. His own venture, started in 1847, as a kind of nursery for the Greenock Savings Bank, was at once successful, though little is now known of its operations. There is no doubt that news of its success was partly responsible for the quick spread of penny banks soon afterwards. In Glasgow the Rev. Dr. Buchanan commended the movement to the trustees and managers of the savings bank in 1850 in these words:

'It was said that, "although the Bank's depositors are now very numerous, it is obvious that they still bear a small proportion to the thousands in our wide-spreading population who habitually spend their all from week to week in improvidence or vicious gratification". He feared that this applied to the masses who existed in a stratum of society which the operations of this Bank could not reach or contribute to elevate. This had been felt in other quarters and led to the establishment of what had been called Penny Savings Banks, such as existed in several places in England, particularly in London and Hull, where the most encouraging success had attended them. The same plan had been tried in the neighbouring town of Greenock, with the most surprising results. During the last year, there had been attracted to the institution in that town no fewer than about 5,000 depositors, and the sum received from them in pence was near £1,600. This appeared to him to open a vista into the future history of Savings Banks. Animated by such an example, there had been originated during the last few weeks, in their own city, an institution of the same nature, under the auspices of a few gentlemen connected with his own congregation. It was planted in one of the most degraded and necessitous districts of the city—the Old Wynd, and was connected with the educational movement which had been going on there for some time. It was open but once a week; and during the four Saturday evenings that it had existed, 132 depositors had joined, and, what was extremely encouraging, most of the depositors had already had three entries at their credit, which showed that the thing was going on continuously and steadily. The average receipts of each evening were about £2.'

Dr. Buchanan's reference to a London experiment was no doubt based on reports of an equally successful penny bank initiated in 1848 by the Rev. W. Queckett, the curate of Christ Church, St. George's-in-the-East. Some 15,000 deposits were made in this penny bank during the first year of its existence.

Mr. Queckett limited the number of depositors to 2,000 and had a waiting list. The venture flourished and attracted a good deal of attention. Mr. Queckett later became rector of Warrington, where he was equally active in starting church penny banks and was appointed a trustee of the Warrington Savings Bank. His work at Christ Church was carried on by his successors and the penny bank was visited by Charles Dickens in 1859. He was told that an hour's work in taking deposits produced from £10 to £20 and that the average year's saving of each depositor was 7*s*. 6*d*.

'The place of business in question is an enclosed railway arch at the east end of London. Its particular address is at the Christ Church schools, Cannon Street Road, Commercial Road East, and we are, at a noontide hour on Monday and for an hour on Saturday night, exclusively commercial. Our customers are, on Mondays, little girls with large street-door keys in their hands; wondering younger brothers who with difficulty get their noses to the level of our desks; hard-working women. On Saturday nights we have for our customers hard-working men and youths, who put the scanty surplus they can save out of their wages beyond reach of the tempter, who at a street corner looks so jovial and bright, but whose wraith sits by the hearth at home, so damp and cold, muttering curses, prompting cruel deeds and desperate resolves.'

Two other experiments at Hull and Selby in Yorkshire in August and September 1849 may be mentioned, because of their early date and because penny banks seemed to flourish more in Yorkshire and Scotland than in other parts of Great Britain. If Mr. Scott of Greenock and Mr. Queckett of London first set the ball rolling, its speed was quickened by the country-wide propaganda of Sikes of Huddersfield during the early fifties. His scheme for conducting a penny bank in every Mechanics' Institute was described in the last chapter. The idea of the penny bank was so simple, it could be tried out in almost any place where there was a coherent group of people. The Church, the Mission, the Mechanics' Institute, the Club, the village, the works, the school, the street—any of these might be suitable, given the voluntary workers on whose shoulders the labours and responsibility must rest.

The group spirit has, rather surprisingly, been a real stimulus to the highly individual objective of self-help. The friendly

societies had long since discovered this. Their experience had been confirmed by the growing popularity of dividing societies such as Slate Clubs, Christmas and Holiday Clubs, 'Diddlum' and 'Tiddly' Clubs, Clothing and Rent Societies, and many other similar groups. The new penny bank movement began most strongly in the villages and suburbs and to a rather less extent in Mechanics' Institutes. But few of these district and institutional penny banks lasted long. The district penny banks became less necessary as the Post Office Savings Bank extended its operations or the Trustee Savings Banks opened new branches or agencies. It was found in the course of years that the churches and schools were the most promising centres to which to attach permanent savings associations of this kind. The extent of the earlier movement can be gathered from the records of the Aberdeen Savings Bank, then quite a small bank, which opened accounts for twenty-two penny banks between 1849 and 1861. Some of these were very local, covering a street or ward or Sunday School; others operated in surrounding villages—Cove (1859), Findon (1860), Newhills (1860); others were connected with industry and show that the agency at the Glasgow Nailery was not an isolated experiment—Gordon Mills Penny Bank (1852), Culter Mills Penny Bank (1854), Cothal Mills Penny Bank (1859). In Glasgow there were by 1860 thirty-six penny banks with about 8,000 depositors, 'all of an humbler class than those which directly join this Bank'. 'Their operation', said the Savings Bank Committee, 'tended to check that reckless expenditure of little sums, which too frequently leads to a confirmed habit of wastefulness and improvidence, and also to foster and confirm economic habits.'

In England, too, the movement spread quickly, the writings of Sikes being supplemented by those of the Rev. J. C. Clarke of Derby, Mr. W. W. Morrell of York, at one time General Manager of the York City and County Bank, and others. But, despite the success of the early type of penny bank started in Hull, Selby, York, Bradford, Halifax, Leeds, and Huddersfield, the movement in the county was directed on to other lines by another public-spirited Yorkshireman, Colonel Edward Akroyd, M.P. His many varied activities in the interests of his work-people at Copley and Haley Hill near Halifax were well in advance of his time in conception and execution. Model houses,

schools, a church, co-operative clubs, literary and scientific societies, libraries, church societies, allotments, and recreation clubs were provided for them, and then in 1852 a penny bank was started. Its success persuaded him to extend its operations so as to 'help the poor to help themselves'. He said in later years that his mind was directed to the idea of starting a comprehensive system of penny banks for the West Riding of Yorkshire by hearing a sermon by the Rev. Charles Kingsley on 12 March 1856 on behalf of the Supplemental Ladies Association of the London Society of Parochial Mission Women. The sermon dealt with the relations of rich and poor, 'East and West', and the means by which the rich could help the poor without demoralizing them. Col. Akroyd, like all the pioneers of savings banks and penny banks, was a practical philanthropist and he decided at once that his crusade against poverty should begin with a campaign to form a great network of penny banks and provident societies in the West Riding, guaranteed by the local gentry and industrialists. He therefore sent a circular to all the leading landowners in May 1856 setting out his ideas and followed this up with a meeting in the Leeds Philosophical Hall on 17 November. The meeting was well attended and gave Colonel Akroyd the necessary authority to launch the West Riding of Yorkshire Provident Society and Penny Savings Bank under personal guarantees of £3,555 for the Provident Society and £2,990 for the Penny Savings Bank. Subscriptions were also given towards the preliminary expenses and there were a few special donations and promises of annual subscriptions. In his circular and at the meeting Colonel Akroyd laid a good deal of stress on the Provident Society, which was intended to replace many small, wasteful, and unsound sick and burial clubs; but although experiments were started on these lines, the Provident Section soon lapsed and all the efforts of the promoters were concentrated on developing the penny banks.

The Yorkshire Penny Savings Bank opened on 1 May 1859. There is no doubt that Colonel Akroyd drew largely on the ideas and experience of Colonel Sikes at Huddersfield and Mr. Morrell at York. The penny banks were to be conducted largely in Mechanics' Institutes (as Sikes had suggested) or in village schoolrooms one evening a week. There were, however, important differences in organization. Colonel Akroyd saw the

advantages of a central co-ordinating body for the penny banks in a wide district and the need for financial backing, so that in the early days development should not be held up for lack of funds. These features could have been incorporated in the existing savings bank or penny bank system; but Colonel Akroyd was critical of the existing Trustee Savings Banks and disliked the narrow limits within which they were bound by existing statutes. Above all, he was determined to have freedom of investment of the funds. So the institution was at first conducted as a friendly society. At the end of the first seven months there were twenty-four branch penny banks with 9,456 depositors and £2,962 of funds. These deposits were invested with the Leeds Permanent Building Society and in small packets of Guaranteed and Preference Railway Shares.

The growth of the Yorkshire Penny Savings Bank was surprisingly little affected by the start of the Post Office Savings Bank in 1861, but when the Savings Bank Act of 1863 became law and put the old Trustee Savings Banks on a sounder footing, as described in Chapter XII, the promoters of the Yorkshire Penny Savings Bank were compelled to reconsider their constitution and had to decide whether to apply for certification as a Trustee Bank under the Act or to register as a company. The two factors which commended the latter course to the committee were the greater freedom of investment and the wider limits of deposit. Already Colonel Akroyd and his colleagues perceived that the bank could not make rapid progress if it concentrated entirely on securing the pennies and shillings of the poor. It needed larger deposits as well and was already directing appeals to the shopkeepers, small traders, and farmers. The registration of the bank in 1871 as a company limited by guarantee under the Joint-Stock Companies Acts of 1862 and 1867 was, therefore, a turning-point in the history of the bank. Henceforth it drifted away from the savings bank movement and developed more on the lines of a commercial bank, though the absence of shareholders and the willingness to accept small sums gave it a distinctive constitution. Although it was registered as the Yorkshire Penny Bank (the word 'Savings' being omitted from the title), it set out more openly from this time for larger savings and the following year introduced cheque facilities. An Investment Department was started in 1873 on the lines of the Special

Investment Departments of Trustee Savings Banks, offering 3½ per cent. for money on three months' notice, but this was discontinued in 1881. There is no doubt that during the first fifty years of its existence the Yorkshire Penny Bank progressed in a way impossible to the Trustee Banks in the county, owing to its freedom from the narrow limits of deposit which bound the latter and the larger margin for working expenses. The management was enterprising and the branches and agencies grew rapidly until few places in the West Riding were uncovered. The first £100,000 was accumulated by 1865. Ten years later this had increased to half a million pounds and £1 million was reached in 1882, when there were nearly 140,000 open accounts. Subsequent progress was even more rapid, helped by the relatively large deposits of members of the business community, though the smaller deposits were not neglected. The funds amounted to £12,500,000 by the end of the century. The money was invested mainly in trustee securities, but British and Indian Railway shares, loans on security of local rates and mortgages of land and property were generally preferred to government stock.

There is no doubt that the Yorkshire Penny Bank has done much to encourage thrift in Yorkshire. It gave savings facilities to many localities which were badly in need of them and did much pioneer work in small country towns and schools. It first started a School Transfer Department in 1874, but progress was slow for many years. The influence of the Earl of Harewood, its President, stimulated interest in this valuable but unremunerative side of its work in the eighties and when the free educational facilities were introduced in 1891, the activity of the Yorkshire Penny Bank in issuing 150,000 circulars suggesting that parents should transfer their school fees to accounts in their children's names in school penny banks had its reward in the growth of a flourishing system of affiliated school agencies throughout the West Riding. These activities could not have taken place without some friction with the Trustee Savings Banks in the county. But, though the Trustee Banks appeared to fall behind during these years, their close connexion with the State stood them in good stead when the Government came to need small savings in the twentieth century and, by removing their narrow limits of deposit, enabled them to expand on more generous lines.

Colonel Akroyd's successful experiment was copied later in London, where the penny bank movement found an influential supporter in Mr. (later Sir) George Bartley, M.P. Mr. Bartley had established a society in the late sixties, along with Lord Derby, Lord Shaftesbury, Lord Lichfield, and others, to popularize the Post Office Savings Bank and open penny banks. Their hope was to reduce pauperism. Some five or six hundred penny banks were opened under their auspices, but they found that a fifth of them closed within a year. They decided that the penny bank movement needed capital to succeed and, with Colonel Akroyd's assistance, launched a Company with an initial capital of £12,000, later raised to £25,000. The object of the Company, which became the National Penny Bank, was to establish penny banks throughout London, as the germ of a self-supporting institution. It was intended from the first that it should in due course become a successful commercial undertaking. Although it took more than ten years to become self-supporting, it soon formed a very extensive connexion. The first Chairman was the Right Hon. Edward Stanhope, Secretary of State for War, and the first trustees Lords Brassey, Beauchamp, Frederick Cavendish, and Mr. Childers. The Duke of Westminster became a trustee later. The National Penny Bank was opened in 1875 and by 1888 was paying a 5 per cent. dividend. Directors' fees were paid from the same year. At this time Mr. Bartley, who was mainly responsible for the management, could boast of thirteen branches and half a million pounds of deposits. The bank was at first only open in the evenings and 38 per cent. of the deposits were said to be in sums of under a shilling. The funds were invested in railway and other debentures, colonial and government stocks, mortgages of real property and trustee securities of other kinds. Unfortunately the good start made by this bank was not maintained. The management became more extravagant and the investments more open to question. Various inducements to new depositors, including the opening of some offices for twelve hours a day, raised the funds to over £2 millions. But the reserves so essential to a bank relying on fluctuating securities were not strengthened in proportion to the growth of funds, and when war came in 1914 the collapse was immediate and final. It was a sad blow to the many poor people among the 145,000 depositors.

Mr. Lloyd George, as Chancellor of the Exchequer, was approached, but could do nothing except offer to advance to needy depositors 5*s.* in the pound, on condition that the bank was at once put into liquidation. Eventually a distribution of 17*s.* 5*d.* was made. The fall in the value of securities which brought the National Penny Bank to this unhappy end also shook the Yorkshire Penny Bank, but the older and better managed institution survived the crisis with the aid of the 'big five'.

This brief account of two commercial offshoots of the penny bank system has interrupted the story of the growth of the voluntary penny banks with which this chapter is mainly concerned. They had made some progress during the sixties, mainly through churches and missions. Speaking in Glasgow in 1863, the Rev. Dr. MacLeod of the Barony said: 'A more worthy object I do not know any Christian Congregation could take up than that of fostering Penny Banks. If congregations collected on Sundays to relieve the poor by charity, why should they not do something on weekdays to hinder them from requiring charity by fostering an institution which cultivated the habits of prudence and self-denial?' There was a very satisfactory response to this appeal in Glasgow, where within ten years 150 penny banks in connexion with churches and missions had been started. Edinburgh had 27 church penny banks in 1877 as well as 33 district penny banks and 4 in schools. Aberdeen had 17 church and mission banks, opened in the late sixties and early seventies. Dundee and Perth had much the same experience. The corresponding development in England was very local. Except where there was a real enthusiast like Mr. Queckett, who encouraged the opening of 15 church penny banks in Warrington by 1860, the movement was not of the same dimensions. Manchester made some progress and the Manchester Savings Bank took the useful step in 1878 of starting a Penny Bank Association to encourage the penny bank work in the area. The original affiliations were 13 church, 2 district, and 5 school penny banks. The Association still carries on this work. Liverpool, Hull, and Preston were among other places where the movement was taken up by the churches and more particularly by the missions. Information is by no means complete, but there is no doubt that during these years soon after the passing

of the Act of 1863, the churches resumed on a considerable scale their early practical interest in the encouragement of thrift.

In a sense this was a development outside the savings banks. Penny banks had their own trustees, who were responsible for the safety of the deposits and for seeing that the books were properly kept. The savings bank's official connexion was as the penny bank's banker. The Government had been so impressed with the progress and possibilities of the movement that it passed an Act in 1859 allowing penny banks to deposit the whole of their funds with the savings banks, irrespective of limits of deposit. The more active savings banks did all they could to encourage the movement, took the initiative in starting new penny banks, helped them with propaganda, supplied them with books and stationery (though this was not legally permissible till 1904), and assisted at the audit.

It seems at first surprising that the penny bank machinery was so slow in getting established in the schools. Mrs. Priscilla Wakefield's notion of a children's bank[1] was slow to make converts, though the virtue of beginning saving young was often enough preached.

> 'Tis education forms the common mind;
> Just as the twig is bent, the tree 's inclined.

Variations on this theme were frequently heard at savings bank functions. Some children, like those whom Dickens portrayed in the East End of London, no doubt patronized the church and district penny banks. There were a few scattered penny banks in charity, Sabbath, and evening schools during the fifties and sixties. No outstanding figure emerged, however, to focus the view that true economy and the proper use of money can be taught to children in a practical way through a school savings group. In this respect Great Britain lagged behind some other countries.

Probably the earliest school penny bank was that started on 8 March 1822 in the Philipsen School in Stockholm by Mr. P. R. Svensson, a teacher and later Dean of Horreda. Deposits were made at the end of the last lesson of the week and there were free facilities for withdrawal. Although it was discontinued after twenty years, it achieved considerable success, attributed to 'the children's willingness to meet their teacher's wishes and the importance and solemnity he had been able to attach to the

[1] See p. 25.

whole thing'. Use of the school bank was a privilege, and truant and ill-mannered children were not allowed to make deposits until an improvement in their behaviour had been shown. This early experiment did not really bear fruit in Sweden until 1869, when the Stockholm Savings Bank opened branch offices in the elementary schools.

In parts of France school saving was officially encouraged at least as early as 1834 and it was customary to give teachers a bonus for undertaking the work, either at the cost of the municipality or of the savings bank. But the continental experiment which caused most interest in this country was carried out in Belgium. M. Laurent, the great Belgian lawyer, toured the schools with crusading vigour in 1865, addressed the teachers, wrote and distributed broadsheets urging that thrift should be taught in the schools in its widest aspects. He persuaded three of the Ghent schools to start penny banks in 1866 and 1867 and so successful was the Ghent experiment that by 1868 about 300 school savings groups were established in 180 parishes. In the free schools the Ghent children were taught to help themselves, in the paying schools to help others. With the more well-to-do children the spirit of economy was introduced under the form of charity.

'The young girls buy with their pocket money, firstly, materials, say cotton or linen, of which they afterwards make articles of dress during the hours set aside for manual work; afterwards the shirts, stockings, dresses, handkerchiefs or aprons are distributed to the poorer children of the free schools. The distribution becomes the object of a little holiday; we know of nothing that can be more touching. The poor children are assembled in the Collier School; our young ladies go there also; one of them says a few words feelingly to her sisters in the poorer classes; one of the girls of the free schools replies. Then the pretty and useful things which have been made during the last year are distributed. It is the donors themselves who present the fruits of their labours to the poorest among the poor. The distribution is intermingled with singing. Need we reiterate the blessings of this blessed economy?'

Dr. Samuel Smiles wrote in 1875 of the influence of the Ghent system:

'The children belonging to the schools of Ghent have accumulated eighteen thousand pounds, which is deposited in the State Savings

Bank at three per cent. interest. This system is spreading into Holland, France and Italy. It has also, to a certain extent, been adopted in this country. Thus Glasgow, Liverpool, Birmingham, Great Ilford, and the London Orphan Asylum all show specimens of School Banks; and we trust that, before long, they will be established in every school throughout the kingdom.'

It was long before this pious wish was anywhere near fulfilment in Great Britain. But a study of the Belgian system by M. de Malarie, the French economist, led to a national system of school banks in France in the middle seventies. No doubt one of the reasons why the Belgian example was not followed earlier in England was the absence at the time of any really comprehensive system of elementary education. The voluntary denominational schools, often at loggerheads with each other and the State, the ragged and charity schools, and the host of small private venture schools of the Miss Pinkertons and Squeers of those days, made a rather sorry patchwork. Some of the schools were doing excellent work, but the Newcastle Commission, which reported in 1861, found that only one child in twenty was attending a school whose efficiency could in any way be guaranteed by the State. A big leap forward was made by Mr. Forster's Elementary Education Act of 1870, which set up the school boards to fill up the gaps in the voluntary system. This was an essential preliminary to Disraeli's Act of 1876, making instruction in the three R's compulsory. Free education for all was not accepted by the State in England until 1891.

In Scotland compulsory attendance dates from 1872, the year of the Act which also set up school boards. Soon after this the trustees of the Glasgow Savings Bank, impressed with reports of the Ghent school banks, approved the submission to the school board of a Memorial drawn up by Mr. Meikle, the actuary, calling attention to the need for teaching thrift in the public schools. The school board approached the teachers and 16 school penny banks were opened within a year. Mr. Meikle, however, was not as convinced as others of the possibilities of progress in this new sphere. In his later years he concentrated on the penny banks in churches and missions conducted by Sabbath school teachers, on the grounds that in the board schools 'the teachers really have not time for the work amid the cram of other lessons'.

In England, Liverpool started some school banks in 1870, the year of Forster's Act, Exeter followed in 1874 and in 1876 the Sheffield Savings Bank took similar action by arrangement with an elementary schools' organization. Manchester and Nottingham school penny banks were also started during the seventies. The movement was not yet widespread. In 1877 the Post Office Savings Bank had only 68 school penny banks as depositors in the whole country, of which 18 were in board schools, 20 in Sunday schools, and 30 in other schools.

The first official recognition of the importance of thrift facilities in schools came in 1881, when the Board of Education issued a circular entitled 'School Savings Banks', encouraging their promotion. At the time there were 1,087 penny banks in schools liable to inspection. During the next ten years, as a result of this departmental encouragement, the number increased to 12,498. After the 1891 Education Act was passed, a further circular from the Board again commended this service, deprecating the limiting of a school's activities to a scheme of instruction prescribed in the Code or the preparation for examinations. A few more savings banks (those at Plymouth and Derby among them) took the hint and at once secured an active connexion with school penny banks. Many of them were slow to sense the significance of the development and it was left mainly to the Post Office Savings Bank to give active encouragement to the schools to act on the Board's 1891 circular. The Right Hon. A. Morley, the Postmaster-General, told the House of Commons in 1894:

'On the passing of the Assisted Education Act, 1891, vigorous steps were at once taken in concert with the Education Department to induce school managers, teachers, scholars and their parents to make the fullest use of the facilities offered by the Post Office to enable school-children to deposit in the Savings Bank the money saved by the discontinuance of school fees. Special forms were provided for the purpose and circulars were issued giving the fullest information with regard to the system of saving by means of postage stamps affixed to "slips". Since then 680,000 1/- and 270,000 4/- deposit slips have been supplied to managers and teachers. At certain intervals these slips are collected and either deposited by the manager at the nearest P.O.S.B. or, when necessary, a Post Office clerk attends at the school to collect them. In outlying districts recourse has been had to registered letters, which have been found very useful.'

About 1,400 schools adopted the scheme on its introduction in 1892 and three years later the number had risen to 3,000.

When the new Local Education Authorities were formed by the 1904 Act, they also received a circular from the Board of Education, drawing attention to the importance of encouraging thrift in elementary schools. The many gaps still existing in the school penny bank service were exposed and advice given about the method of filling them. The Savings Bank Act of 1904, by giving the savings bank trustees powers to contribute to the cost of stationery and the other expenses of conducting penny banks, did a good deal to accelerate the growth of the movement in schools. Before 1914 school penny banks were common, though by no means general.

One other later effort to improve school saving may be mentioned here, before the story of the old savings banks in the days following the establishment of the Post Office Savings Bank is resumed. London had lagged behind in affording these facilities, a fact which had been noted with regret by that great social worker, Sir Charles Loch of the Charity Organization Society, ever keen to encourage any philanthropic movement directed to stimulating individual effort rather than reliance on the State. He decided that the best way to impress upon the Board of Education the backwardness of London and the south was to show the extent to which the penny bank movement had progressed and prospered in the north. With the co-operation of the Trustee Savings Banks Association he arranged for a deputation, including representatives of the Trustee Banks in Glasgow, Edinburgh, Manchester, Hull, Sheffield, and Preston, to call upon Mr. C. P. Trevelyan, M.P., Parliamentary Secretary to the Board of Education, on 5 May 1913. After hearing the statements made by members of the deputation, Mr. Trevelyan admitted that he had learnt much that was new about a 'stupendous movement'. He was not in favour of making the conduct of penny banks compulsory in schools. 'There is no such thing in our curriculum as a compulsory subject.' But, while he believed in freedom in the school curriculum, he was convinced that the teaching of thrift ought to be an important part of the formation of character among children. Such sentiments had been embodied in previous communications to teachers and Education Authorities and he was prepared to

consider issuing another letter of advice and encouragement to Local Authorities. He was, however, chary of putting upon teachers extra trouble and work. 'We do not presume to command. We are rather here to get hold of successful experiments in one place and spread a knowledge of them over the whole of England. Your best opportunity and line of work is with the Local Authorities.' It was clear that no great activity could be expected on the part of the Board, so the Trustee Savings Banks decided upon a campaign of their own with Education Committees. *Suggestions for the Establishment and Management of School Penny Banks* were prepared, printed, and circulated in April 1914, and savings bank trustees were urged to approach their Education Committees or, failing success with them, the managers and teachers of individual schools. The new campaign was scarcely under way when war broke out. Within a short time it was necessary to mobilize the financial resources of the whole nation. The stimulus necessary for a successful national school savings organization on a voluntary basis was provided by the new crisis. The long period of experiment by the pioneers of school penny banks proved its value and within a short time school saving became regarded almost everywhere as essential, justifying the considerable time and labour which have since been willingly devoted to this extra duty by tens of thousands of teachers.

Chapter XI

THE SAVINGS BANK FRANCHISE

There was one proposal under discussion during the middle years of the nineteenth century which, although it had no direct influence on their growth, deserves mention in a history of savings banks—the proposal to make the possession of a balance in a savings bank a qualification for a vote in parliamentary elections. This proposal, which was put forward in 1854, 1859, 1866, and 1867, had the support at various times of most of the great parliamentary figures of the day—Lord John Russell, Palmerston, Disraeli, Gladstone, among others—yet it never reached the Statute Book.

The idea sounds strange in these days of adult suffrage, but it seemed logical enough at a time when so much importance was attached to the personal qualifications of the voter. Ownership of property, whether land, securities, or a bank balance, implied if not respectability, at least that 'stake in the country' which was thought to be the best insurance against violent change. When it became clear that the Reform Act of 1832 could not be a final settlement of the basis of parliamentary representation, the same question confronted successive Whig and Tory Governments. How could the franchise be extended without allowing the uneducated and unpropertied masses to have the predominating voice in deciding who should sit in the House of Commons? If democracy meant the rule of the majority, there were few democrats in either House. 'We do not live—and I trust it will never be the fate of the country to live—under a democracy', said Disraeli in 1867, and this view was not seriously challenged. What both parties sought was some means of enfranchising the best of the artisans and men of education who did not come within the existing 'owner' or 'occupier' qualifications. Hence the suggestion for 'fancy franchises', to give the vote to graduates, clergy, lawyers, doctors, schoolmasters, and (as a concession to the working classes) savings bank depositors of some standing.

It was Lord John Russell who first incorporated in a Bill the savings bank franchise. He was the greatest surviving authority

on electoral reform. He had steered the Bills of 1831 and 1832 through the House of Commons. He had thought at the time and for some years afterwards that Lord Grey's Act had settled the question for a lifetime, if not for ever. He had no sympathy with the Chartist demands for adult suffrage, which agitated the country during the late thirties and forties; nor with the demand for household suffrage urged by Joseph Hume and a few independent Radical Members of Parliament. But by the time the Chartist bubble had apparently been pricked in 1848, he and moderate men of both Parties saw that the 1832 settlement which, as he afterwards admitted, was 'framed with the view generally of giving weight to the middle classes in this country', could not be the last word. He conceded that some change was a natural consequence of the 'growing intelligence and education of the people'. If there were to be another instalment of Reform, he was the man who would like to take it in hand. His first attempt to do so in 1852 had a cold reception and was abandoned. There was evidently a feeling in the House that the proposed reduction of the occupier franchise in boroughs from a £10 to a £5 rental was too drastic and would add too many new purely working-class voters to the electoral register.

Lord John made another attempt at Reform in 1854. The moment was ill-chosen, for by the time the Bill was introduced the outbreak of the Crimean War was imminent. His action has been likened to an attempt at 'spring cleaning when half the street is in a blaze'.[1] Inevitably the Bill had to be abandoned. It is of interest, however, because it embodied for the first time many of the 'fancy franchises'. Having come to the conclusion, as a result of his 1852 experience, that the House was not prepared for a borough franchise for occupiers as low as £5, yet being genuinely anxious to give the vote to all persons thought fit to exercise it, he raised his occupier's figure to £6 but proposed to add to the Register various new selected classes of electors such as university graduates, income-tax payers, those in receipt of salaries of at least £100 a year paid quarterly, half-yearly, or yearly, those with an income of £10 a year from investments in the funds, India stock and Bank of England stock, and savings bank depositors.

[1] J. A. R. Marriott, *England since Waterloo.*

'We propose that every person having a deposit to the amount of £50 in a savings bank in the place where he resides, such deposit being of not less than three years' standing, shall be entitled to vote. We fix the period of three years, because we think there would otherwise be considerable danger of the creation, under a franchise of this description, of fictitious votes; but when we get a *bona fide* holder of such a sum as £50 in a savings bank, the House, I think, will agree that we have a person who has given such a proof of prudence and forethought as will justify his being entrusted with the exercise of the elective franchise.'

Although the whole question was now postponed until after the end of the war with Russia, no future Government, Whig or Tory, could hope to evade the issue for long. Another agitation was smouldering in the country, with the unmatched eloquence of John Bright to fan into flame the demand for household suffrage. It was during the precarious tenure of office of the Derby Government in 1859 that Mr. Disraeli, as Chancellor of the Exchequer, introduced his plan of Reform. His Bill was defeated on second reading by thirty-nine votes. It has been said that it was the 'fancy franchises' which killed the Bill, but probably they merely failed to save its life. By declining to lower the £10 occupation franchise in the boroughs (the real bone of contention) Disraeli was forced to stress these special franchises more than his predecessor had done. The savings bank franchise was, indeed, almost the only concession to be given to the working classes in the boroughs and at once assumed a major importance. It was thoroughly discussed during a notable debate lasting a full seven days.

The savings bank clause in the 1859 Bill would have enfranchised those who held and were beneficially entitled to deposits of £60 in a Trustee Savings Bank, provided such deposits had been standing in their names for twelve months prior to 24 June in the year of the general election. Those wishing to be included on the Register in respect of this qualification must make formal application to the overseers and must obtain a certificate signed by or on behalf of the trustees of the savings bank in support of their claim to have the prescribed balance. The overseers were to obtain a yearly confirmation from the savings bank that the persons on the Register continued to be qualified. The fixing of the qualifying balance at £60 seems to

have been influenced by two considerations. Firstly, the sum must be large enough to prevent any abuse connected with the manufacture of savings bank votes at the time of an election. The statutory limit of deposit was still £30 a year, so that no one could qualify in less than two savings bank years. A prospective voter could bank £30 just before 20 November (the end of the savings bank year) and a further £30 immediately after that date, but he still would have to wait twelve months from the following June before becoming qualified. In the second place, £40 to £60 was about the amount of capital required by anyone who wished to buy a forty-shilling freehold—the centuries old voting qualification in England. Freehold land associations were in existence in different parts of the country to facilitate the purchase of these small properties. But why should the working man who wished to obtain a vote be compelled to invest his savings in property? Why should not he be encouraged to leave his £50 or £60 in the government supervised savings banks, where it was easily accessible if he needed it? Both were property qualifications within the reach of the better paid and thrifty artisans, few of whom could afford to pay £10 a year, plus the poor rate, for a house.

So ran the arguments, but the weaknesses of the savings bank franchise were equally clear to those, like John Bright, who had a logical alternative.

> 'Let the House imagine', he said during the discussion on the Bill, 'some young man who has saved £60, and of whom I hope there are some thousands in the country, and put it into the savings bank. Suppose anything happens and that his parents fall into sickness or, what is still more likely and would be a happier thing, that he should think of entering into the married state. He withdraws his £60 and he furnishes a house of £6 or £7 or £8 a year rental; he settles down with additional ties in the country and there is additional reason to believe in his love of order and obedience to the laws, but the very fact of his taking that course cuts away his franchise.'

Bright's following in the House was not yet large, but the criticism of Mr. J. W. Henley was listened to with exceptional interest, for he had resigned as President of the Board of Trade because of his unwillingness to support Disraeli's Bill. He came down strongly against the savings bank franchise.

'How can you reconcile the giving to a man with £300 in Consols a vote with the giving a vote to another who has £60 in the savings bank? I confess that, inasmuch as the basis is money in both instances, and that the money in each is vested in Government securities, it passes my comprehension how you can establish a case of equality. Nor am I prepared to admit that the deposit of £60 or any other sum in a savings bank is a fair test; for how can you say that a man who does not possess that amount among the working classes is not as respectable and trustworthy as a man who does? I think myself that it is no measure at all. I am ready to admit that a man who does possess £60 in the savings bank may be, and probably is, a respectable man; but what are the circumstances which enable one man to have it and another not to have it, because that is the real point which we have to consider. You say that you want it as a measure of a man's prudence and self-respect, and that it is a security. But it makes all the difference whether a man is married or single; it makes all the difference whether a man has a large or a small family. I myself happen to be a man who has a large family; and a man may be as trustworthy and as respectable as another, and yet he may not be able, if he has a large family and belongs to the working classes, to put money into the savings bank. There is also such a thing as putting children to school in this country in the humbler as well as in the higher and middle classes, and if a man who is bound on making money has three or four children running about the streets instead of going to school, and has his wife working in a factory, I do not consider, although he might have £60 in the savings bank, that he would be so respectable a man as he who put his children to school and kept his wife at home to attend to her household and domestic duties, although he might have no money in the savings bank. For that reason I do not think that the simple fact that a man has money in the savings bank is so strong a proof of respectability that it ought to entitle him to possess a vote as against another who has it not. You say you want some criterion. There may be sickness in one family or a thousand other things that may prevent a man who is as prudent and self-denying as his neighbour from getting that capital which another man has been able to acquire. So I do not admit that this savings bank clause, standing alone, affords that fair opening for the extension of the franchise to the working classes as is claimed for it by its admirers.'

When Lord John Russell made his third attempt in 1860 he dropped the 'fancy franchises', but the Bill was no more fortunate than its predecessors. The whole question of Reform now receded into the background for six years, while statesmen were

preoccupied with problems arising from the American Civil War and Bismarck's continental ambitions. It fell to Mr. Gladstone to introduce a new Representation of the People Bill in March 1866. Lord John Russell was now in the House of Lords and head of the Government. So it was not, perhaps, surprising that the new Bill was his old measure of 1854 thinly disguised. The occupier franchise in boroughs was to be lowered to the compromise figure of £7 and, as this figure was too high to hold out hope of a vote to a large proportion of the working classes, the savings bank franchise was again introduced as an alternative method of securing a vote. Gladstone may have been reluctant to drop this franchise. Was he not the father of the Post Office Savings Bank, which boasted 650,000 depositors in four years?

'The savings banks franchise', he explained, 'has these advantages:—First of all, as far as it goes it meets a feeling prevalent in the country, and a feeling to which we are disposed to give effect as far as we can without the sacrifice of more important ends and aims—a feeling that it is desirable to include within the constituent body, by the method of what I may call spontaneous selection, some who could not be included by any method of franchise you could adopt founded upon the old principles of occupation or tenure. Now certainly it is true—it must be true—it is beyond all reasonable doubt or question, although the nature of savings banks does not allow us to offer you any demonstration of it—it is true without any doubt that provident habits enable many persons in early youth, many in very humble circumstances, many not having any independent holding, to amass their little stores by the time they come to legal age, and thereby, as we think, to qualify themselves, and justly qualify themselves, for taking part in the choice of those who are to govern the country. And, above all, the savings banks franchise has this notable advantage, that it is attended with no complication of title whatever. Every savings bank depositor possesses—it is necessary for him as a depositor to possess—a book, in which is inserted every payment in he has made—every payment out he has received, with the date of each and all of these payments; so that an inspection which could hardly require a minute of time would tell you when you had fixed your standard whether a man is qualified to be put upon the register as a savings bank depositor or not. We therefore propose that all adult male depositors of £50 and upwards, who have been possessed of that deposit for two years in a savings bank, or in a Post Office savings bank, shall be entitled to be regis-

tered for the place in which they reside. The place wherein they reside will, I think, commonly be outside the limits of a town. Of course, I do not mean because there will be no such savings banks depositors in a town, but because in the towns the nature of the franchise may probably be such as to include the great bulk of them. But a large proportion, I think, of savings banks depositors will be found to be below the limits of the £14 holding which is proposed for counties; and it is on that account that I mention the savings banks in connection with this department of the electoral system.'

Admittedly, this was not put forward as one of the most important provisions of the Bill, as had been the case in Disraeli's measure of 1859. Gladstone did not think that it would add more than 10,000 to 15,000 to the electoral body, although there were some 87,000 depositors who had over £50 in the savings banks for two years. Modest though the proposal was, it was violently assailed and found only a few tepid supporters. John Bright denounced it as 'the very worst of all "fancy franchises" ever proposed', giving rise to the utmost inequality and to a species of fraud which could not be prevented. Lord Robert Montagu suggested that the proposal was a fraud and quoted against the Chancellor of the Exchequer his own statement in 1864 about the ownership of savings bank deposits:

'That £40,000,000 or £50,000,000 of accumulated money belonged to different classes of persons (including the labouring classes, the charitable institutions, to minors, and in some instances to persons not poor at all); a great deal of it belonged to domestic servants; and, in fact, there was a very miscellaneous denomination of persons to take up that large amount of property; but if they took the artisans, mechanics, operatives and peasants of this country—he meant the fathers of families of the labouring classes—he very much doubted whether one in ten of those families throughout the country had any deposits in a savings bank. He might say, perhaps not one in twenty, and he was not sure whether the figures might not be placed lower.'

In the end, it was not the savings bank franchise which killed the 1866 Bill. The proposals, as a whole, were too democratic for Robert Lowe and his 'Adullamites', not democratic enough for Bright and his followers, opposed as a matter of course by Disraeli and his Party. The Government was eventually beaten by eleven votes on an amendment proposing to substitute rateable value for gross rental in the borough franchise and Reform

had added another Government to its list of victims. The situation was becoming serious. John Bright's campaign had raised hopes and expectations in the country to a high pitch. There were demonstrations, petitions, riots. It was an unenviable position for Disraeli, now called upon to settle the matter in a House in which he had no clear majority.

The sequel is well known, though the reasons which led the statesman who had proclaimed his hope that the House would 'sanction no step that has a tendency to democracy', who a few years before had refused to lower the borough occupier franchise, and who had denounced Peel for inconsistency, to take the 'leap in the dark' which enfranchised over a million persons and introduced household suffrage in the boroughs, will be debated to the end of time. The household and lodger suffrages destroyed the *raison d'être* of the savings bank franchise, but it had shown a stubborn indisposition to die. Disraeli had, in fact, again introduced it both in the first tentative Bill put forward to try to pacify his right wing and in the second Bill, which sought to draw support from the left. It is true that the Act, which received the Royal Assent on 15 August 1867, bore little resemblance to the Bill which the Chancellor of the Exchequer had introduced in March. The parliamentary triumph, if it can so be called, remained with Disraeli, but Gladstone shaped many of the clauses against the will of the Bill's promoter. Both parties were hopelessly divided and cross voting further confused the picture.

'Lord Cranborne,' wrote John Morley, 'the chief Conservative seceder, described the Bill in its final shape, after undergoing countless transformations, as the result of the adoption of the principles of Bright at the dictation of Gladstone. It was at Mr. Gladstone's demand that lodgers were invested with votes; that the dual vote, voting papers, educational franchise, savings bank franchise, all disappeared; that the distribution of seats was extended into an operation of enormously larger scale.'[1]

This may have been the case, but so far as the fancy franchises are concerned, it was Sir Roundell Palmer, the Member for Richmond, who pointed out that they no longer served any useful purpose. Even so, Disraeli was reluctant to drop the savings bank clause, which was to enfranchise those who had

[1] Morley, *Life of Gladstone*.

not less than £50 in a savings bank during the two years immediately preceding 1 July in any year. 'The Savings Bank Clause', he said in the debate on 28 May, 'has often been under the consideration of Parliament and it is a clause so venerable that we ought not to deal with it cursorily.' But he saw that it was no use courting defeat on an issue which was no longer a major one and he allowed the clause to be negatived without a division, 'in deference to the reactionary party in the House'.

So quietly passed away this thirteen-year-old child of John Russell which had been so much admired by men of all parties. Had the savings bank franchise become part of our electoral system, it would probably have stimulated the savings banks for a time, but only so long as the wider voting qualifications were withheld. It would have led to many inconsistencies and minor injustices without conciliating more than a small fraction of the working-class reformers. Moreover, it would almost certainly have caused difficult problems to those administering the banks, who would have had to see that voting power was not unfairly manufactured by the opening of quasi-political accounts which did not represent the genuine savings of the depositors concerned. Yet though no tears were shed over its demise, Parliament did not abandon its oft-expressed belief that those who had money in the savings bank were the most stable and valuable element in the community at large.

Chapter XII

THE ACT OF 1863

The Beginnings of Special Investment and Government Stock Departments

FEW would have ventured to prophesy a great future for the old savings banks after the passing of the Post Office Savings Bank Act in April 1861. They had signally failed to agree on a method of affording their depositors that complete security which was so essential to a restoration of confidence and which was expressly given to depositors in the new State bank. It seemed to many that one more local crisis would prove too much for a constitution so palpably undermined. But the constitution of the old savings banks was tough enough to survive yet another scandal, which came to light early in the following year.

Though not of the dimensions of the Cuffe Street and Rochdale frauds, the Bilston defalcations of 1862 excited widespread interest both because the guilty person was the vicar of the parish and a local justice of the peace and because the recent empirical start of the Post Office Savings Bank had kept interest in the question of small savings at a high pitch. The Rev. H. S. Fletcher, characterized by *The Times* as 'the meanest, the most cowardly and the most cruel of swindlers', appropriated between £8,000 and £9,000 to his own use. *The Times*, which had for years shown hostility to Trustee Savings Banks, found in the fraud a unique opportunity to point the moral.

'How can the depositors of a few hoarded shillings know where the Fletchers hold sway, and where the Managers do their duty? The only sound advice to give the working classes under such circumstances is to have nothing to do with institutions where such things can occur. . . . The Post Office Savings Banks offer an escape from danger and at the same time remove the necessity of taxing the time and attention of philanthropic men in offices where negligence may occasion such widespread ruin. We confess that, in face of such occurrences as those at Bilston, we hope the day will speedily arrive when these fallible Savings Banks will all cease to exist.'

There is no doubt the belief, if not the wish, expressed by *The Times* was widely shared. Yet the immediate results were

not as catastrophic to the old banks as would reasonably have been expected. By the end of 1863, over a year after the institution of the Post Office Savings Bank, only thirty of the old banks had closed. When it is remembered how many of the 638 Trustee Savings Banks were very small affairs with very limited hours of opening, this number was surprisingly small; for, although Mr. Gladstone had promised that the Post Office Savings Bank would begin gradually, concentrating first on the places where there were no savings bank facilities, this undertaking was soon overridden by a natural desire to make the new system as universal as possible. Though only 301 post offices were opened for savings bank business in September 1861, no fewer than 1,629 were open by the end of the year and 2,532 by the end of 1862. Of the thirty savings banks which closed within the first twelve months of September 1861, twenty were very small banks indeed with less than £5,000 of depositors' balances and none had as much as £50,000 of funds.

It was clearly time that the Trustee Savings Banks did something to stop the rot before it sapped the vitality of the whole movement. To some extent this could be done locally by extending services, encouraging the promotion of penny banks, providing longer hours of opening, and improving book-keeping and audit. Many acted on these lines, the competition with the new state service being thoroughly beneficial in its results. But Bilston was a reminder that something more was needed and the three parliamentary stalwarts, Mr. Estcourt, Sir Henry Willoughby, and Mr. Ayrton, tried their hand at a Private Bill, realizing that it was useless to ask Mr. Gladstone to risk another rebuff. They sought (1) to enforce upon all banks the regulations of the well-managed ones; (2) to repeal the clause in the 1844 Act which removed all liability from trustees; (3) to insist on proper audits; and (4) to enact that no transactions should take place except at the office, during the office hours, and in the presence of more than one person.

Opposition to the Bill came not from the Chancellor of the Exchequer, who was sympathetic, while not disguising his opinion that the main question had been disposed of, but from the savings banks themselves. The nature of their objections is not on record. There was still a good deal of confusion and anxiety in the minds of trustees, who did not all relish the

idea of a limited restoration of personal liability without the means of ensuring that the experience of Rochdale and Bilston would not be repeated in their own districts. Even the Manchester trustees, who certainly had no reason to fear that such mild proposals would affect their own progressive and well-managed bank, characterized the Bill as 'highly objectionable'. An influential savings bank deputation waited on Mr. Estcourt. Once again St. Martin's Place was the meeting-ground of the deputation, and once again a negative success was won. It must have been a great discouragement to Mr. Estcourt to have to withdraw his Bill on 20 May 1862 as a result of pressure from his own supporters. But it turned out to be a blessing in diguise; for the leading savings banks now set themselves in earnest to thrash out the details of the long-desired consolidation Bill with such amendments as would remove the most glaring defects of the existing law.

The meeting at St. Martin's Place, which sealed the fate of the Estcourt Bill, appointed a sub-committee to carry out its views and settle the terms of an amending and consolidation Bill. The members of the sub-committee were three savings bank actuaries, Boodle of St. Martin's, Nield of Manchester, and Frank Wever of Sheffield, where the savings bank had just signalized its determination to progress by building a fine new office complete with porter in brown livery with scarlet trimmings.

The sub-committee acted quickly and sensibly. It formulated a series of resolutions advocating, in addition to the consolidation of the existing law, the insertion in the new Bill of certain additional safeguards. It circulated these resolutions to the other savings banks, ninety-four of which replied.

All were agreed that the liability of trustees and managers should be restored as it stood before the passing of the 1844 Act, so as to render them liable for their own acts and deeds and for wilful neglect and default. All agreed that provision should be made for a double check and for the comparison of the pass-book with the ledger on all transactions, for the receipt of money only on the bank premises and during hours of business, and for the appointment of auditors or professional accountants to examine the books monthly (or at least quarterly, if a bank was open two days a week or less) as well as to certify the annual accounts.

All approved of the display in the banks of an extracted list of depositors' balances, identifiable by number and not by name and duly certified by the auditors. All agreed that trustees and managers ought to meet at least quarterly and keep proper minutes of their meetings.

These proposals were not only approved but were to become law. There was also agreement 'that a Government Inspector be appointed to examine and report, but to have no power to interfere with the management. Expense to be paid out of interest arising from Separate Surplus Fund.' Whether this proposal was dropped as a result of pressure from any quarter, or because of the impossibility of finding any inspector who could hope to cover more than a fraction of the ground in a single year, is not revealed. It is only known that it was not accepted, nor was it heard of again for twenty-five years.

Other useful minor reforms were endorsed, but the majority of the banks turned down a proposal to allow the redeposit of sums withdrawn during the year and another to make the calendar year the financial year instead of the twelve months ending on 20 November. Mr. Boodle was deputed to convey the decisions to Mr. Estcourt, together with the consolidation Bill prepared by Sir Alexander Spearman and Mr. Tidd Pratt. Mr. Estcourt, unfortunately, had a breakdown in health and had to leave for Italy and the task of introducing the Bill and piloting it through the House devolved on Sir Henry Willoughby. The work was well done and the Bill was prepared and introduced with very little delay. Mr. Gladstone thought it creditable to the gentlemen who had it in charge and, so far as it went, likely to be effectual. After small amendments in Committee, it passed both Houses and received the Royal Assent on 28 July 1863.

The Act of 1863 passed into law with little discussion and almost unnoticed outside the savings banks movement—a pleasant contrast to the history of earlier attempts at legislation. It has remained ever since the principal Act under which Trustee Savings Banks are certified and most of its clauses are still in operation over eighty years later. It is true that it was largely a consolidation Act; the alterations made to the existing law were sensible and evolutionary rather than drastic or spectacular. So far as it broke new ground, the Act was the

work of the banks themselves. It gave them much-needed encouragement at a difficult time. For this outstanding service to the movement the Trustee Banks were largely indebted to Estcourt and Willoughby for their support in Parliament, to Sir Alexander Spearman and Mr. Tidd Pratt for their sympathetic guidance in the arduous task of consolidation, and to Messrs. Boodle, Nield, and Wever for at last framing new proposals acceptable to the banks. Mr. Nield died the following year. Mr. Boodle's active career was near its end. It was left to a new generation of actuaries to show that Trustee Savings Banks certified under the Act of 1863 might still become a power in the land.

It was now possible, for the first time since 1828, to obtain a clear view of these Trustee Savings Banks which, like so many British institutions, had attempted by a process of trial and error extending over half a century to hammer out the constitution best suited to their purpose. The management of the banks was still left in the hands of bodies of trustees and managers, whose only essential qualification was a willingness to perform their duties without any payment or benefit, direct or indirect, other than reimbursement of out-of-pocket expenses. They were not an elected body, for there was no one to elect them except the unwieldy mass of depositors. Any persons might combine to start a savings bank in their vicinity, provided they obtained the approval of the National Debt Commissioners and agreed to abide by rules certified by the Savings Bank Barrister to be in accordance with the 1863 Act, but obviously no such bank would meet with support unless the trustees were respected and trusted. Once a bank was started, any vacancies in the number of trustees and managers could be filled by the vote of those present at the next annual meeting. For some years past the tradesmen, industrialists, and professional men had largely taken the place on the boards of management of the titled and landed gentry whose financial backing had once been so important. A similar transition had been conspicuous in local government in the early years of the century. Most boards were representative of the best and most philanthropic men in the local communities. To be elected a trustee or manager at the annual meeting of a savings bank was regarded, as it still is, a signal honour.

The distinction between trustees and managers was not clear cut as of old. Trustees had been relieved of financial liability since 1844 and the extent to which the 1863 Act restored personal liability was, as we shall see, very moderate. Managers were ceasing to be actively concerned in the day-to-day management of the larger banks in which business was wholly conducted by paid officers. It was a common, but by no means general, practice for the trustees to act as the committee of management. They certainly were responsible for holding property, signing authorities to invest with or draw upon the Commissioners, and submitting returns. But the old distinction of wealth and class between trustees and managers, never general and seldom pronounced, had largely been obliterated.

How then did the 1863 Act settle the difficult question of financial responsibility for losses? The provisions of Section 11, which have remained on the Statute Book unaltered ever since, were simple and straightforward. A trustee or manager would only be held personally liable if he failed to pay over moneys actually received by him on account of a savings bank; if he failed to take security from the officers entrusted with the receipt and payment of money; or if he failed to see that his bank complied with three of the fundamental rules and regulations set out in the Act. These were (1) that at least two persons must be present on all occasions of public business and be parties to every transaction of deposit and repayment, (2) that an independent auditor must examine and certify the books at least twice a year, (3) that the trustees and managers or committee of management must meet at least twice a year and keep minutes of their proceedings.

This solution of the troublesome question of liability which had perplexed Parliament and the banks for so long was supplemented by certain other safeguards recommended by the Boodle-Nield-Wever committee. These other restrictions did not affect the liability of trustees, but were none the less compulsory, and have remained ever since as distinctive features of Trustee Savings Banks.

The depositor's passbook must be compared with the ledger on every transaction of repayment and on its first production each year.

Depositors must produce their passbooks at least once a year. (No penalty was provided in case of non-compliance.)

No money must be received or paid except at the Bank during hours of business.

A book must be displayed in each office containing an audited account of each depositor's balance, omitting the name, but giving the number and amount, so that any depositor could inspect it and see that the balance compared with that in his own passbook.

There is no doubt that these were wise regulations which did much to establish certain minimum standards of administration in the banks without hampering their freedom of development by irritating controls and restrictions. They set the movement firmly on the path which it was to follow, but a little more hard experience was necessary before the remaining weaknesses were finally eliminated.

The other clauses of the Act were directed to consolidating the many Statutes passed since 1828. Limits of deposit were re-enacted at the low figures of £30 a year and £150 in all; when principal and interest together amounted to £200, interest ceased. The only exceptions were certified friendly societies, which were allowed to deposit without limit, and charities and penny banks which could deposit £100 a year and £300 in all or could exceed these limits with the prior consent of the National Debt Commissioners. The Act continued the useful privileges of exemption from stamp duty, power to pay the next-of-kin or others entitled to the money without production of probate or letters of administration in small estates of under £50,[1] and the reference of disputes to the Savings Bank Barrister (whose functions were transferred in 1876 to the Registrar of Friendly Societies). The control of the National Debt Commissioners, once a bank was certified, was limited to the receipt and investment of moneys remitted by the trustees and their repayment, and the supervision of the surplus funds, of the bonds of security taken by the trustees from their officers, and of the annual accounts. There was also a discretionary power to call for a detailed statement of the expenses of any bank. A rather wider power of supervising and enforcing the audit of Irish savings banks was a reminder of the events which had led to the 1848 Act.

Such were, in brief, the constitution, powers, and limitations of the savings banks which, since then, have always described

[1] Raised to £100 by Savings Banks Act, 1887.

themselves as 'certified under the Act of 1863' and are more popularly known as Trustee Savings Banks. There still survived a number of Scottish savings banks also directed by honorary trustees, but certified under the old Act of 1819 and having no direct connexion with the National Debt Commissioners. The Trustee Savings Banks now had to face the competition of the new (State) Post Office Savings Bank, with its numerous offices, longer hours of business, and complete state security. What competitive advantages were left to the old savings banks in their struggle for survival?

In the first place, the Trustee Savings Banks were at first able to pay a higher rate of interest to their depositors. The 1863 Act had continued the payment of £3. 5*s.* per cent. to trustees and a maximum of £3. 0*s.* 10*d.* to depositors. Not many banks could afford to pay this maximum rate, but most could at least pay more than the £2. 10*s.* per cent. allowed to Post Office depositors. This advantage was a temporary one, but was not finally abolished until 1888 and the intervening years were all-important.

The second advantage was the one always open to the local institution over the centralized organization. Local patriotism naturally is an important factor, but adaptability to local needs is even more important. The most practical example is the facility for withdrawal. It is a commonplace paradox among savings workers that the first step to encourage people of small means to save is to show how easy it is for them to withdraw their savings. Once a hesitating wage-earner knows that not only will his money be safe in a savings bank but that he can draw it all out to-morrow if he wishes, he will be well on the way to becoming a saver and will cease to have any strong urge to draw on his savings once they are deposited. From time to time an extra cautious depositor will come to a savings bank office and draw out all his savings only to redeposit them when he is sure that the money is really there. Now the local Trustee Savings Banks did not always, in the early days, pay on demand. Sometimes a week's notice was asked even for small sums—an almost essential precaution at a time when balances were very small. But by the eighteen-sixties many of the larger banks had accepted the view propagated so vigorously by the Edinburgh Savings Bank that freedom of withdrawal should be encouraged. So

their depositors could draw substantial sums on demand at the local savings bank, whereas they would have to wait some days to get the money from the post office.

The third advantage was specialization. The local postmaster or postal official had many duties to attend to. He might be conducting a business of his own, with the post office as a side-line, or he might be at a busy office carrying out the ordinary postal service, selling stamps, postal and money orders, and with little time to devote to the savings bank, except in so far as it was a matter of routine receipt and payment of money. The Trustee Savings Bank actuary or cashier and such managers as attended at the counter had no other distractions. They were specialists in thrift. They were interested in their clients as actual or potential savers, were ready to discuss their financial problems, advise them when small estates had to be wound up or wills had to be made, and take that personal interest in them which makes a person glad to come back again. The more active savings banks had, as we have seen, done a good deal to extend their sphere of influence and encourage thrift by fostering subsidiary agencies, such as penny savings banks, in their neighbourhood.

There were, therefore, substantial enough reasons to encourage the trustees of most of the larger and many quite small savings banks to look with reasonable optimism to the future and to regard the 1863 Act as a sound foundation on which to build an enlarged and improved structure. The desire to be free from state interference and to continue to develop the thrift movement on philanthropic lines was particularly strong in Scotland and the north of England. Yet the trustees had need of all their fortitude in the eighteen-sixties. Most of the old banks which closed during the decade were small and unimportant, but a defection took place in 1864 which was not only a severe blow to the Trustee Savings Banks of that day, but was also to have important effects over half a century later. The trustees of the Birmingham Savings Bank, which had accumulated nearly £600,000 of funds in thirty-seven years and was eighth in size of all the savings banks in the British Isles, decided, by a narrow majority, to close down, apparently owing to the small measure of increased personal liability put upon them by the Act of 1863. *The Times* again referred to the 'gradual extinction of the old

savings bank system', but some of the provincial newspapers took a totally different view and soundly rated the Birmingham trustees for their timidity and lack of public spirit. 'Instead of the Birmingham case being taken as a precedent', commented the *Leeds Intelligencer*, 'it should rather be looked upon as a warning. The evils to be apprehended from the abolition of the old Savings Banks are much less imaginary than the responsibility that weighed so powerfully with the Birmingham trustees.' 'We have the best authority for saying', said the *Liverpool Mercury*, 'that the depositors in the Birmingham Savings Bank are withdrawing more in cash than they are transferring to the Post Office and such has been the inconvenience and alarm created by the sudden calling in of 33,000 depositors that the promoters of the transfer themselves regret the hasty step they have taken.' But there was no going back and it was the gap left by the unnecessary withdrawal of local savings facilities in England's second city which led in 1916 to the starting of the Birmingham Municipal Bank. Although Birmingham did not consider establishing a municipal savings bank for another fifty years, it is interesting to find that in 1866 Manchester Corporation promoted a Bill for a corporation savings bank with the object of 'obtaining money for public works'. A deputation from the trustees of the Manchester Savings Bank obtained an interview with Mr. Goschen, then Chancellor of the Duchy of Lancaster, with the result that the proposal was withdrawn.

The Birmingham Savings Bank was one of 33 savings banks which closed in 1864 and the number of those which followed suit during the next five years were—15 in 1865, 14 in 1866, 19 in 1867, 22 in 1868, and 10 in 1869. So that by the beginning of 1870, including the 30 banks which had closed during the first two years following the Post Office Savings Bank Act of 1861, the number of independent Trustee Savings Banks had decreased by 143. The effect was not, however, as serious as the numbers might suggest, for the great majority of the savings banks which closed during the sixties were small concerns which had never attracted much support. Seventy-five, or over half the total, had less than £10,000 of assets, several less than £1,000. Only 12 of them had more than £50,000 and these had funds of £1,501,000, whereas the other 131 between them had only £1,695,000 of deposits. Apart from Birmingham, the only

considerable banks to close at this time were Canterbury (1865), £149,572, Portsmouth (1868), £146,241, and Chichester (1868), £107,147.

Between 1870 and 1879, 58 more savings banks closed in Great Britain and Ireland, of which only nine had funds exceeding £50,000. The four largest were Warwick (1872), £125,236, Paddington (1875), £124,902, Maidstone (1872), £119,385, and Chesterfield (1876), £111,571. The closings from 1862 to 1879 can be summarized as follows:

	Funds				
	Over £100,000	£50,000 to £100,000	£25,000 to £50,000	£10,000 to £25,000	Under £10,000
1862–9	4	8	25	31	75
1870–9	4	5	11	21	17
Total	8	13	36	52	92

It is interesting to trace the geographical distribution of the banks which closed. It is not surprising that the greatest disposition to retire in favour of the Post Office was seen in London and the surrounding counties. No fewer than 22 savings banks in what is now the London Metropolitan Area closed. Eight more closed in Essex, 7 in Hertfordshire, 5 in Middlesex, 8 in Surrey, 11 in Kent. If we add to these 61 banks the 10 in Hampshire and 4 in Sussex, we shall see how much stronger was the effect in the south than in the north. Kent has never yet recovered the ground lost when Canterbury and Maidstone gave up their local savings banks, nor did Hampshire figure prominently in the Trustee Savings Banks Movement, once Portsmouth closed, until a new bank was started there in 1931, following one in Bournemouth the previous year. George Rose's old bank in Southampton, however, never lost faith in the trustee system. The movement in Surrey, never strong, almost disappeared except for a vigorous local bank at Guildford. The other English counties were not much affected, apart from Warwickshire and Staffordshire. The former could not withstand the catastrophe of the closing of the leading savings banks at Birmingham and Warwick. Staffordshire lost no fewer than 9 local savings banks and 6 more during the eighties. The

reasons which led to the practical extinction of Trustee Savings Banks in this county, which had given them such strong support for half a century, are not at all clear. The Gladstonian influence was certainly strong and may have favoured abdication in favour of the Post Office. Possibly, if the facilities for amalgamation which were given early in the next century had been available at this time, many of these smaller banks would have survived; as it was, under 60 per cent. of the depositors' balances were in fact transferred to the Post Office. Only 7 very small banks closed in Scotland during this period and none in Northumberland, Cumberland, the East Riding of Yorkshire, Lincolnshire, and Northamptonshire. Devon and Cornwall were almost unaffected.

Savings banks, like other financial institutions, had to contend with a number of exceptionally gloomy years of trade depression during the eighteen-sixties, but it seems doubtful if this was the sole cause of the closing of a single bank. The decade began with the cotton famine consequent on the secession of the Southern States from the American Union. Distress in Lancashire was deplorable, nearly half a million workers receiving relief. Fortunately, the reactions in other parts of the country were not serious. In Blackburn, where 31 per cent. of the working population were on relief, savings were naturally drawn upon, but the cash balances in the Blackburn Savings Bank only fell from £121,000 in 1860 to £102,000 two years later.

Then followed some uneasy years of apparent recovery. Many new companies were formed under the Limited Liability Act of 1862, but the violent fluctuations of the bank rate showed that confidence was absent. The crash and panic came in 1866. A number of the new companies and some older ones failed. Distrust grew snowball-like, till the old-established and respectable house of Overend, Gurney & Co., which was formerly associated with the famous Quaker banking family of Gurney and had helped the country to pull through other financial crises, was itself overwhelmed. The excitement in the City when this great concern closed its doors is said to have been unprecedented. Mobs besieged their bankers and the financial houses. The bank rate soared to 10 per cent. The Bank of England's reserves fell in a single day from £6 millions to a little over £3 millions and the Bank Charter Act was again suspended.

But the crisis was essentially one of big finance and the savings banks were little affected. The small depositors did not doubt that their savings were secure.

More alarming, from the savings banks' point of view, was the next major crash, which occurred twelve years later. The recovery and promise of prosperity of the seventies was rudely shaken in 1878, when the City of Glasgow Bank closed its doors. This bank had pursued an apparently progressive policy and attracted a good deal of support from the public. Investigation of its affairs, however, disclosed a loss of over £6 millions and, as the liability of the shareholders was unlimited, many people, rich and poor, who held the shares as individuals or trustees, were irretrievably ruined. It was little consolation that the directors were convicted of fraud and imprisoned; Scottish banking had received a hard blow which reacted on many other concerns north and south of the border and set back the clock of progress.

What effect did this have on the Savings Bank of Glasgow, which would naturally have to withstand the greater part of the shock to the confidence of the public of Glasgow? Very little, considering the magnitude of the disaster and the number of working people thrown out of employment. There was a short run on the bank, which soon died down when depositors were paid in full. The funds of the Glasgow Savings Bank actually showed an increase of £77,000 for the year, but this was more than accounted for by the addition of interest, withdrawals exceeding deposits by some £30,000. The number of depositors only decreased by 168 and in the following year (1879) it increased by 5,884, though withdrawals were still slightly in excess of deposits owing to the continued depression. Indeed, the savings bank at Inverness may be said to have suffered more from the City of Glasgow smash than the Glasgow Savings Bank, for its bankers were the Caledonian Bank, which was forced for a time to suspend payment. The depositors became alarmed and a critical situation was overcome by the trustees and managers attending personally to reassure them, which they did by showing the receipt for the funds invested with the National Debt Commissioners.

No stronger proof could be given of the stability of the Glasgow Savings Bank or of the confidence felt in its manage-

ment than the way it weathered the storm in 1878–9. Since 1870 it had taken the first place in the size of its funds of any savings bank in the country, a place which it has easily retained ever since. In 1878 these funds already exceeded £3 millions, and the £4 millions mark was passed in 1884. There is no doubt that this progress was largely due to enterprising management and studying the wants of the depositors. A strong and independent committee co-operated with an exceptionally able actuary in Mr. Meikle. So this bank increased its funds by 127 per cent. in the twelve years between 1858 and 1870 and rose from sixth to first place. In the same period the St. Martin's Place Bank—still second in size—had only increased by 7 per cent. and was being overhauled by the two progressive Lancashire banks—Manchester, whose funds in 1870 were £1,320,000 and showed a percentage increase of 28 per cent. in the same period, and Liverpool, whose increase was 22 per cent. and now had £931,000 at credit.

The enterprise of the Glasgow trustees of this time is illustrated not only by their development of branches and penny banks but by their early decision to open a special investment department. It was not until the seventies that the Trustee Savings Banks began to develop the special investment departments which became one of their distinctive features and have done so much to increase their usefulness and popularity. Irritation at the low limits of deposit had been growing, but successive Governments had shown no disposition to extend the annual limit of £30 and the total limit of £150, which had remained unaltered since 1828. It was with surprise and some alarm, therefore, that the savings banks learned in 1869 that the Government proposed to introduce legislation to raise the annual limit of deposit in the Post Office Savings Bank to £100 and the total limit to £300 without increasing the limits of the old savings banks. Prompt representations were made through the Marquess of Hartingdon and others and the offending clause was withdrawn. This left matters as they were, but showed the old banks still more clearly that the Post Office Savings Bank was now the favoured child of the State and that they must find ways of looking after their own interests.

Fortunately a way was open. The 1828 Act had expressly stipulated that there was nothing to prevent trustees of any

savings bank 'receiving any sum or sums of money from any depositor for any purpose except to be paid into the Bank on account of the Commissioners for the Reduction of the National Debt, and it shall be lawful for such trustees to apply any such sum or sums of money in any other manner for the benefit of the several depositors according to the rules and regulations of such Savings Banks'.

This clumsy clause was certainly not put into the 1828 Act with the deliberate intention of facilitating the establishment of special investment departments. It seems probable that it was introduced to regularize the position of the trustees of the Exeter Savings Bank, who from the earliest days had given facilities for the purchase of 3 per cent. Consols on behalf of their depositors. The idea was, of course, to provide an outlet for those who had reached the statutory limit of deposit in the savings bank. The Consols were bought in the names of four trustees, the dividends being credited to the accounts of the depositors concerned without any deduction for expenses. The depositors took the risk of a rise or fall in the price of the investment. The rules permitting this arrangement were duly certified in the early days of the bank and by 1857 over £21,000 of 3 per cent. Consols were held for 118 depositors. This stock department, however, never became really popular and was not imitated elsewhere until the Government itself decided to encourage small holdings of stock in 1880.

The next use of this clause in the 1828 Act, permitting investment otherwise than with the National Debt Commissioners, was quite different. In 1847, one result of the trade depression was that the Scottish joint-stock banks were offering a high rate of interest on deposits, namely, 4 per cent. We have seen how important to the Scottish savings banks were the fluctuations in the rate of interest paid by the joint-stock banks in the years before the savings banks banked with the Government. To some extent this influence was still important. The Scottish savings banks always had a type of depositor who kept a shrewd eye on the interest he was receiving on his deposits and had no scruples about taking his money out of the savings bank across the road to the joint-stock bank if it would earn another ½ per cent.

To meet this, the Dundee and Perth Savings Banks came to an arrangement with local joint-stock banks to receive money

from them at ½ per cent. over the usual rate of interest. Rules permitting them to do so were duly certified as being in accordance with the 1828 Act. The depositors were not slow to take advantage of this favourable arrangement. In Perth they withdrew some £75,000 from the government department during 1847 and 1848 and placed it in this new deposit department, in which they received an extra 1½ per cent. Two years later, when bank interest fell to 2 per cent., the same depositors reversed the process. This peculiar arrangement continued and when, in 1856 and 1857, high interest rates again prevailed, the bulk of the Perth deposits were again withdrawn from the Government. In the latter year, out of assets of £172,000, no less than £140,000 were in the hands of the Union and Central Banks of Scotland and only £32,000 were invested with the Debt Commissioners. Dundee Savings Bank made a similar use of these powers and called the new department the 'Chartered Department'.

Neither the Exeter nor the Dundee–Perth experiment was really in the nature of a special investment department. It was not until 1870 that the possibilities latent in this clause, which had fortunately been retained as Clause 16 of the 1863 Act, began to be appreciated. Unfortunately, the reasons which led the trustees of the Glasgow Savings Bank and of the Bradford and Leeds Savings Banks to take this important step are not recorded. Bradford seems to have been first in the field, but all that appears in the minute book is a record that 'On 5th April, 1870, it was moved by Mr. Semon, seconded by Mr. Robertshaw, "that a department called the Bradford Investment Savings Bank be forthwith opened and that the rate of interest allowed at present be four per cent. per annum" '.

The action of the Glasgow trustees was more significant, for the example of the largest savings bank in the country was certain to be followed. Mr. Meikle submitted a memorandum to his trustees on 11 November 1870. It was referred to the bank's law agent, who reported that the starting of an investment department was within the powers of the trustees. The trustees wasted no time. They decided at first to confine the privilege of deposit to depositors of five years' standing and to receive money from them for fixed periods for investment in the debentures or mortgages of Glasgow Corporation Water Trust

or Gas Trust. 'In this way they will participate in the higher rate of interest allowed by these Trusts, an advantage hitherto confined to capitalists.' The department was opened on 3 January 1871, and during the first month over £20,000 was transferred. £20,000 was accordingly invested with the Glasgow Corporation Gas Commissioners; when another £20,000 had been deposited, the loan went to the Water Commissioners. By November 1872 the balance at credit of the new department exceeded £100,000, on which depositors were being credited with 3½ per cent. interest. This is only one instance of the vitality of the Glasgow Savings Bank at this time. They could boast no fewer than ninety-seven affiliated penny banks in 1870 and the trustees had already set out on a programme of branch expansion, the first branch being opened in 1869.

Although Mr. Meikle's memorandum on the proposed investment department is not now available, it is not difficult to guess the reasons which influenced his trustees. First among them must have been the limit of deposit in the government department—a limit which had undoubtedly been reached by many of the thrifty Glaswegians who patronized the bank. Secondly, the rate of interest in the government department was low compared with the rates obtainable elsewhere in the early seventies. Moreover, there had been an attempt by the Government in 1870 to reduce the Trustee Savings Bank rate still further—a proposal described by the *Yorkshire Post* as 'Mr. Lowe's unwise and reckless project' and later abandoned. An investment department would act as a useful safeguard against the withdrawal of larger deposits for interest reasons. Thirdly, the allowance for management was small and was a handicap to the development for which many of the banks were ripe. An investment department gave promise of a larger margin for expenses and for the building up of reserves, as well as a higher rate of interest. Fourthly, such a development would constitute another competitive advantage over the Post Office Savings Bank. Investment trusts were no revolutionary conception in Scotland. Indeed, the trustees of the Scottish savings banks which had continued to operate under the 1819 Act (although these were at this time comparatively small in size) had always had the responsibility of investing the whole of their funds and had found no difficulty in doing so.

The example of Bradford and Glasgow was followed in 1873 by Leeds and in 1874 by Manchester and Preston. In the latter year Dundee Savings Bank secured an extension of its powers to permit investment not only in the Scottish joint-stock banks but in public and government securities of Great Britain and Ireland, in exchequer bonds or bills, and in the security of any county, borough, or other rates authorized to be levied and mortgaged by Act of Parliament. Leicester and Sheffield Savings Banks followed in 1877, Huddersfield in 1879, Hull in 1880, Coventry in 1881, Edinburgh in 1890, and Derby in 1891. Then, for reasons which will be explained, there was a setback until 1904. Liverpool Savings Bank in 1875 had taken a line of its own, offering to buy for its depositors mortgages of the Liverpool Corporation; these facilities were continued until 1888. The value of this testing of the ground by these banks was apparent in the twentieth century, by which time the proper methods of conducting a special investment department and the advantages of such a department were becoming clearer.

It is probable that this movement to start special investment departments would have gone farther in the eighties, had not the Government decided in 1880 to institute a means by which small investors could easily and conveniently buy government stock. The Chancellor of the Exchequer preferred this course to the extension of limits of deposit in the savings bank and, whatever the arguments for or against the latter course, there is no doubt that the introduction of stock departments in the Post Office and Trustee Savings Banks was a wise move.

The 1880 Act restricted the amount of government stock any depositor could buy to £100 in a single year and £300 in all. The minimum investment was £10 of stock or the amount of stock which £10 would buy. It was permissible to deposit up to £100 in a savings bank account for the immediate purchase of stock without infringing or reducing the normal annual limit of deposit, which still remained at £30. Government stock was to be bought and sold by the trustees of the savings bank through the National Debt Commissioners and dividends were to be credited direct to the depositor's savings bank account. Though many alterations have since been made in the Acts and regulations governing these stock departments, which were the

beginning of what is now known as the Post Office Register, the essence of the scheme was there.

It is difficult at first to grasp the reasons for the very cautious attitude adopted by the Exchequer to the extension of government stock facilities to the small investor, for it is an axiom to-day that the more widely held is the National Debt, the more healthy is the country. The National Debt was not regarded in the nineteenth century as a necessary and expanding liability. It was an evil to be curbed and, if possible, abolished. Consequently there was no enthusiasm for encouraging a great extension in the demand for Consols and 3 per cents. Even the State's growing liability to savings bank depositors was regarded with some misgivings in Treasury circles. Mr. Goschen, during his term as Chancellor of the Exchequer in the eighties, admitted that as Chancellor of the Exchequer he was opposed to any measure which would largely increase the already gigantic amount standing to the credit of depositors.[1] This candid admission affords some explanation of the reasons which led not only Mr. Goschen but successive Chancellors of the Exchequer to reject persistent appeals for a reasonable extension of limits of deposit, whether in cash or stock. The facilities for the purchase of small holdings of government securities introduced by the 1880 Act were but slowly taken advantage of; but they became of first-class importance during the First World War, when the huge growth of the National Debt, together with the higher level of earnings, made it not only possible but essential to popularize War Loans among people of modest means.

This concession in the 1880 Act was rendered much less palatable to the Trustee Savings Banks by being accompanied by a reduction in the rate of interest on deposits. Certainly the banks had been fortunate to retain for so long the rate fixed in 1844, when the general interest level was much higher than it was twenty or thirty years later. To the old argument that the State was losing money by allowing Trustee Savings Banks £3. 5*s*. per cent. was now added the very pertinent inquiry why the old savings banks should be given this advantage over the Post Office Savings Bank, which was proving that it could attract deposits at 2½ per cent. The *British Quarterly Review*, in an article in January 1878, urged the equalization of the interest allowed

[1] See p. 243.

by the old banks and the Post Office. 'The result would be that the depositors in the old banks would, without doubt, in the process of time, transfer their accounts to the Post Office Savings Banks and in doing so they would avail themselves of many advantages which it is impossible for any private enterprise to offer.'

In all the circumstances the old banks may be said to have done as well as could be expected in suffering a reduction of only ¼ per cent. This meant that they were to receive 3 per cent. in future from the National Debt Commissioners. Those banks which needed ½ per cent. to meet the cost of management could accordingly only offer to depositors the same rate as the Post Office. But most of them preferred to keep their management expenses within the very small limit of 5*s*. per cent. and so pay depositors the maximum of £2 15*s*. permitted by the Act. Even this small discrimination was only to remain for a few years, but by that time it was clear that a well-conducted Trustee Savings Bank could more than hold its own on equal interest terms with its new and powerful competitor.

Chapter XIII

PROGRESS AND SETBACKS, 1875–88

IN 1875 the field of thrift had been surveyed by that redoubtable Victorian, Dr. Samuel Smiles. Samuel Smiles is often regarded to-day as typical of the self-complacency of the middle- and upper-class Victorians. His particular way of emphasizing moral precepts has long since lost favour and could only appeal in an age whose basic philosophy was a robust individualism; but his books are still very readable and their practical common sense is as obvious as ever. He was denounced by the Socialists of his time, yet he was no *laissez-faire* obscurantist. He was a Scot who had had to make his own way in the world, the eldest of eleven children brought up in comfortable but simple surroundings in Haddington. He had tried, without notable success, to earn a living as a doctor and as an editor. Later he found a comfortable competence in secretarial posts with railway companies. He became interested in friendly societies and in various progressive movements—the abolition of the Corn Laws, free education, public libraries, the extension of the franchise—but until well on in his middle years there was nothing to suggest that he would achieve more than local esteem as an eminently respectable citizen. Then in 1859 he persuaded a rather reluctant publisher to publish an expanded version of some lectures he had given to working-class audiences. Within a short time this book, *Self-Help*, became one of the world's best sellers. Before his death about a quarter of a million copies of the book had been sold in Britain and innumerable foreign editions had been published.

His popularity was won on his merits. Not only did he believe profoundly in his thesis, but he had a clear style and his simple but forceful illustrations of what could be achieved by self-help were well suited to propagate his views among the middle-class households from which came his principal readers. His *Lives of the Engineers* and other works were also widely read, but it was the treatises of a homiletic character which brought him his fame.

The book on *Thrift* published in 1875 was, he tells us, an

expansion of an article he had written in the *Quarterly Review* in 1860 on 'Workmen's Earnings and Savings'. Hearing from a correspondent that the article had induced him to initiate many working people into the practice of thrift, he consulted Mr. Charles Sikes of Huddersfield about producing a book on the subject. Sikes naturally gave him every help and encouragement and indeed Smiles was the obvious person to undertake such a work. Such progress as was made in thrift propaganda and practice in the last quarter of the nineteenth century owed not a little to Samuel Smiles.

'The end of all reform', he wrote, 'is the improvement of the individual. Everything that is wrong in society results from that which is wrong in the individual; when men are bad, society is bad.' There is very little that has been said in favour of thrift in the last fifty years which will not be found in Dr. Smiles's book. As for the practice of thrift at the time he wrote, it is clear from the evidence he quotes that the saving habit had reached very few of the families of unskilled labourers and only a small proportion of the artisan class. Wages were small by modern standards, but, as Smiles took pains to point out, 'Many of the working classes are in receipt of incomes considerably larger than those of professional men.' Families employed in the cotton trade were able to earn over £3 a week, according to the number of children employed. Operatives in the woollen trade earned £2 or so, mechanics 35*s*. to 40*s*., colliers sometimes £4 or £5, and iron workers up to 10 guineas a week. Compared with the country curate, these families were well off, yet few of them saved. 'Extravagance is the pervading sin of modern society.' Its most devastating manifestation was to be seen in the prevalence of drunkenness. Many men, he alleged, spent a third, others a half, of their income on drink. One week they were earning good wages, the next forced to seek poor relief. But other forms of extravagance, living beyond one's means ('keeping up appearances is one of the greatest social evils of the age'), leading to debt, squalor, and misery are equally denounced.

Undoubtedly the scope for thrift and particularly for thrift education in the seventies and eighties was immense. The savings banks had only touched the fringe of the problem. Still, the facilities were now there—almost everywhere since the

advent of the Post Office Savings Bank. Smiles quotes Edward Denison, M.P., the pioneer of social work in London. 'Saving is within reach of nearly every man, even if quite at the bottom of the tree; but if it were of anything like *common* appearance, the destitution and disease of this city would be kept within quite manageable limits. And this will take place . . . within two generations.' Like Dr. Duncan, these stalwarts of the second half of the nineteenth century saw society being transformed by the gospel of self-help.

Dr. Smiles found that thrift was practised more in some parts of the country than others and was puzzled that the level of wages had no apparent influence on the habit of saving.

> 'Previous to the era of Post Office Savings Banks, the inhabitants of Wilts. and Dorset—where wages are about the lowest in England —deposited more money in the Savings Banks, per head of population, than they did in Lancashire and Yorkshire, where wages are about the highest in England. Taking Yorkshire itself and dividing it into manufacturing and agricultural, the manufacturing inhabitants of the West Riding of York invested about twenty-five shillings per head of the population in the Savings Banks; whilst the agricultural population of the East Riding invested about three times that amount.'

One Lancashire town, Preston, where there was a particularly active Trustee Savings Bank, was singled out for special honourable mention.

> 'The inhabitants of Preston have exhibited a strong disposition to save their earnings during the last few years—more especially since the conclusion of the last great strike. There is no town in England, excepting perhaps Huddersfield, where the people have proved themselves so provident and so thrifty. Fifty years ago, only one person in thirty of the population of Preston deposited money in the Savings Bank; twenty years ago, the depositors increased to one in eleven; and last year they had increased to one in five. . . . In 1874, four hundred and seventy-two thousand pounds had been accumulated by 14,792 depositors, out of a total population of 85,428. Is there any other town or city that can show a more satisfactory result of the teaching, the experience and the prosperity of the last twenty years?'

No doubt attempts to compare the savings of one place or one class with another were often as misleading in Smiles's

times as to-day. Nor can we say that modern studies of the propensity to save have resolved all the doubts which perplexed the author of *Self-Help*. But in modern times, when in some districts one in two or three of the population have savings bank accounts, we see that Smiles's emphasis on thrift education and ample facilities for the practice of thrift were sound.

Dr. Smiles provides evidence about the types of depositors who were in those days the chief patrons of the savings banks. The most numerous class of depositors in the Manchester and Salford Savings Bank was still that of domestic servants. After them rank clerks, shopmen, porters, and minors. Only about a third of the deposits belonged to operatives, artisans, and mechanics. Domestic servants also came first in the Post Office Savings Bank; next, women, married and single; next, persons of 'no occupation' or 'occupation not given'; next, artisans and, after them, labourers, minors, tradesmen, soldiers and sailors, clerks, milliners and dressmakers, professional men, and public officials, in that order.

There is other evidence in support of that collected by Dr. Smiles that patronage of the savings banks was not confined to any one section of the community but was particularly marked in the case of artisans and domestic servants. The last analysis of new accounts published in the Annual Reports of the Glasgow Savings Bank is in the Report of 1859. The 11,311 new accounts opened during the year are there classified. The percentage works out as follows:

	Per cent.
Mechanics	32
Clerks and warehousemen	13
Servants	11
Factory operatives, sewers, &c.	8½
Labourers	7½
Professional	1½
Shopkeepers, &c.	4
Children	11
Householders—landladies	3½
Miscellaneous	8
	100

The Aberdeen Savings Bank has a similar analysis of new accounts for every year from 1845. The classification is on rather different lines, but there is a close general resemblance

between the Aberdeen proportions in 1880 and those in Glasgow twenty-one years earlier.

	Per cent.
Mechanics, artisans, &c.	28½
Black-coated and professional	9
Servants	14½
Women workers	4
Labourers	4½
Seamen	4
Agricultural	5
Shopkeepers, &c.	5½
Women not otherwise classified	10
Children	15

In both banks the unskilled and semi-skilled are poorly represented. The savings bank was still mainly the bank of the skilled worker, the domestic servant, widows and children, and the small middle-class man and woman. The unskilled, so far as they saved at all, patronized the friendly or benefit society or trade union, which helped them to tide over short periods of sickness or unemployment by means of small weekly contributions while in work. Slowly but surely, however, thrift was on the upgrade. Were the old savings banks, the pioneers of thrift, to take part in subsequent progress or were they gradually to hand over their work to the Post Office?

The twenty years immediately following the establishment of the Post Office Savings Bank had not proved fatal to the older system. The balances due to Trustee Savings Bank depositors in 1861, including the small sum of about £189,000 in special investment departments, totalled £41,735,467. During the next five years this figure sank to £36,662,035, owing to the closing of many of the old banks. Taking the Trustee and Post Office figures together, the results of the early years of combined operations were disappointing. Those first five years to 1866 only showed a gross increase of £3 millions. Even allowing for the occurrence within this period of the crisis of 1866 and a reduction in the combined balances during that year of nearly £750,000. there was nothing in the figures to suggest that Mr. Gladstone's Act had greatly stimulated the practice of thrift. Even after ten years the total savings bank balances had only increased by £11,640,000—little more than the million a year

of the old banks and much less than the rate of increase during the two years immediately before the Post Office entered the field. By 1870 the old banks had lost nearly £3½ millions and the post offices had accumulated £15 millions.

There is no doubt, however, that the number of depositors was growing and the savings bank pass-book was becoming familiar in many remote places where it had never previously penetrated. This had its effect and the results were more easily seen during the seventies. An increase of £26,353,000 between 1870 and 1880 was more than double that of the previous decade. This is the more surprising since wage rates increased more rapidly during the sixties than the seventies. Presumably the tapping of new sources of saving was proving more productive than the exploiting of the old. By the end of 1880 the combined balances were approaching £80 millions. Of this sum the Trustee Savings Banks claimed £45,983,106. This was about £4½ millions more than the balances of twenty years before and included £2 millions of special investments. It is true that this increase was considerably less than would have been produced during the period by the addition of annual interest to the deposits. In only one year was more money received from depositors than was paid out. Yet, when it is remembered that 202 Trustee Banks, representing nearly £5 millions of small savings, had closed during the period, and that since the nadir of 1866, when the first sharp impact of the new system had exhausted itself, their depositors had added £9,321,000 to their cash savings, the recovery must be accounted remarkable. The credit must be given, in the main, to a few of the larger Trustee Savings Banks and particularly to those in Scotland and the north of England.

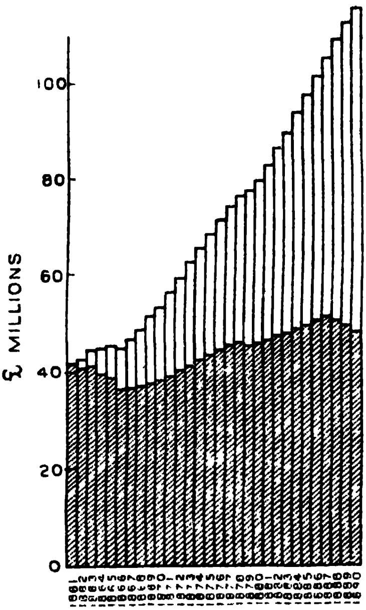
In some of the northern cities the modern Trustee Savings Bank was beginning to take shape. The competition of the Post Office Savings Bank was proving thoroughly beneficial by forcing the old banks to provide better facilities and a more efficient service. The seed planted by Dr. Duncan had developed, in the course of three-quarters of a century, into a considerable tree. The pruning of some of its weaker shoots had not diminished its girth and it had begun to throw out two new branches—the Special Investment Department and the Government Stock Department. The period between 1880 and 1886 continued the same

tendencies and by 20 November 1886 the depositors' balances had reached £50 millions. Meanwhile, the Post Office Savings Bank had by the end of 1880 accumulated £33,744,637 and by 1886 £50,874,338. During the latter year, after its first twenty-five years of activity, its funds passed the combined funds of the Trustee Savings Banks. It had fully justified the optimism of Mr. Gladstone and Mr. Sikes.

The rapid development of the Post Office Savings Bank in the eighties owed much to the energy and enterprise of Mr. Fawcett, one of the greatest of Postmasters-General. Great activity was shown in extending its services to small and remote villages. The postage-stamp system of deposit, which has enabled so many children to open savings bank accounts, was started at this time and resulted in an addition of 220,000 to the number of depositors in six months. Moreover, Mr. Fawcett succeeded in developing the government annuity and insurance business. The Government Annuities Act of 1882 continued the process of encouraging this type of business, which had begun in a tentative way in 1864, and linked it more closely with the Post Office. Between 1865 and 1884, 13,402 ordinary life annuities and 978 deferred annuities had been negotiated through the Post Office. The life insurance business had not flourished as much as had been expected. Only 7,064 policies had been issued, a yearly average of 372. By the new Act the annuity limit was raised from £50 a year to £100. Contracts would be accepted for payment at a specified age or sooner in the event of death. Ordinary life assurance within a limit of £100 could still be obtained through the Post Office (but not through the Trustee Banks) by those between the ages of 8 and 65. Annuity business responded to this encouragement. In 1896, 2,208 post office annuities were issued as against 770 in 1883. Life insurances for the former year were 1,223 in number as against 256 in 1883. The growth of the Post Office in all its many activities was still front-page news.

It is little wonder that some of the smaller and less active savings banks in towns and villages and even in the Metropolis, which were open only a few hours a week, saw no point in carrying on their work. They were quite willing to give way to the great and progressive state machine with which they saw no chance of successfully competing. Yet the actual closings of the

old banks between 1880 and 1886 were not on the scale of the previous twenty years. Thirty-eight of the forty-eight trustee banks which closed during these seven years had less than £25,000 of funds apiece; ten of them were in Ireland. The only bank among them of any size to close was Southwark Savings Bank, whose balances just exceeded £200,000. The other small banks were scattered over the country, Staffordshire and Hampshire again showing a disposition to leave the Post Office a clear field.



Graph showing Total Balances due to Depositors in Trustee Savings Banks (Ordinary and Special Investment Departments) ▨ and in Post Office Savings Bank ◫ 1861–90

The general picture in 1887 was that 400 of the 622 Trustee Savings Banks still survived. Savings bank deposits had for the first time reached £100 millions, of which rather more than half was in the Post Office Savings Bank. They had doubled in eighteen years, thanks largely to the great increase in savings bank offices provided through the machinery of the Post Office.

If the future of the Post Office Savings Bank was by this time fully assured, the outlook for the Trustee Savings Banks was a good deal less gloomy than it had been a generation before. Things seemed to be stabilizing themselves. It was fairly obvious that some of the 400 remaining independent savings banks were not likely to survive indefinitely. But the best of them were so good that their position seemed impregnable. It was, in fact, already clear that a local savings bank which was prepared to pursue a progressive policy could more than hold its own with a centralized state institution. In Glasgow, for instance, the Post Office Savings Bank, with seventy offices, showed an increase of £74,000 in the first twenty-seven years;

the Glasgow Savings Bank during the same period, with seven branches, showed an increase of £3,887,000. The Manchester and Salford Savings Bank had increased by £1,424,000, whilst post offices in the Manchester area had accumulated £800,000. Liverpool Savings Bank showed an increase of £1,350,000 between 1861 and 1887 and the post offices in the same area had by the latter year accumulated about half a million of deposits. On the other hand, the progress of other Trustee Banks, such as those in the London area, had been visibly affected by the advent of this new competitor and were not doing more than holding their own; some of the local banks which did not offer full facilities were losing ground.

There was nothing to suggest that the Trustee Savings Bank Movement was on the eve of another crisis—in some respects the greatest of its long history. Many of the trustees and actuaries must have been aware that serious weaknesses had not been altogether eliminated by the 1863 Act. The suggestion which some of the banks had put forward to the Select Committee of 1858—that a system of inspection should be introduced—had not been adopted and the standard of book-keeping and administration was not always high. Nor were all the trustees and managers equally attentive to their duties or even aware of their liability should they neglect certain essential safeguards of good management. A movement is apt to be judged by its weakest members and so it was that, after struggling gamely to its feet again during the seventies and early eighties, it nearly received a knock-out blow in 1886 from an unexpected quarter.

Mr. R. E. Williams, the actuary of the Cardiff Savings Bank, died early that year. In April it was discovered that by a series of crude frauds, extending probably over twenty years, he had embezzled over £30,000. The balance due to depositors amounted to about £200,000 and it was at once clear that nothing could save the bank. The real point at issue was how far the trustees and managers, many of whom were men of influence in Cardiff and South Wales, were liable to make good the loss. The 1863 Act had restored a measure of personal liability, but only where the trustees and managers had themselves received money and failed to pay it over or had neglected to enforce certain specified essentials of sound administration.

The situation in Cardiff was complicated by the fact that sums equivalent to more than half the deficiency had been deposited in an irregular manner, for example, outside the normal hours or place of business or in excess of the statutory limits of deposit. The local Committee of Management began quite properly by appointing a chartered accountant to investigate the frauds and take control of the situation. His first task was to sort out the amount of the 'irregular deposits' from the others. It was clear that the funds were sufficient to pay the regular depositors in full, but that this would leave little to satisfy those depositors who, knowingly or innocently, had infringed the law. It was a delicate and difficult situation and the Committee, which included a number of solicitors, proceeded to bungle matters in no half-hearted manner. Acting in opposition to the advice they had obtained from Counsel, they decided to invite the 'regular depositors' to accept 17*s.* 6*d.* in the £ as a final discharge of their claim and made a similar offer of 17*s.* to the 'irregular' depositors. Many accepted, but others began to ask very pertinent questions about the personal liability of the trustees and their right to refuse claims for payment in full. It transpired too that some members of the Committee had themselves been irregular depositors. Undoubtedly the trustees and managers knew full well by this time that they had not complied with the law and that they would make a sorry show in a court of law. The whole concern of most of them seemed to be to hush up any question of personal liability and to persuade the depositors that it was in their interests to accept a final settlement on the basis of the offer and not waste money in legal proceedings. Some depositors appealed quite properly to the Registrar of Friendly Societies, who since 1876 had taken over the functions of arbiter in savings bank disputes from the Savings Banks Barrister and who duly made award for payment in full. The Cardiff trustees ignored these findings.

What had started as an unpleasant local scandal now developed into a public issue. Trustees and managers of savings banks all over the country began to look into their own positions. Had they done all that was essential to avoid personal liability? Was it worth their efforts to support a local savings bank with this sword of Damocles suspended over their heads? It is not

surprising that their answers to these questions varied in different places. Some trustees had stout hearts, others cold feet.

As for Cardiff, obviously the Government would have to take notice of the situation. Equally clearly the action it would take was likely to be unfavourable to the Trustee Savings Bank system. We have seen that in previous crises some measure of consultation between the banks had taken place and combined action had often been effective. But, so soon as the crises passed, the informal machinery for consultation had been allowed to disintegrate. A certain amount of sporadic correspondence between actuaries continued to take place, the larger Scottish banks in particular endeavouring to pursue a common policy. In 1876 a Yorkshire Association of Savings Banks had been formed, but in 1886 there was no national organization to consider the Cardiff situation nor was Mr. Boodle any longer there to organize deputations and convene meetings.

Fortunately, a trustee of the Manchester and Salford Savings Bank saw at once what was needed. The Cardiff frauds had come to light on 23 April 1886. On 7 May the following was minuted by the Manchester Committee of Management:

> 'A conversation followed consequent upon the failure of the Cardiff Savings Bank and the effect it might have on Savings Banks generally. Mr. Joynson, Deputy Chairman, suggested an association of Trustee Banks should be formed to take into consideration the position of Trustee Banks and that it ought to form a Committee to offer suggestions as to management and a proper system of checks being carried out in all banks now under the management of Trustees.'

The actuary, Mr. Louis Andrews, was instructed to get into touch with the other banks. The response was fairly satisfactory, but among the savings banks which refused to associate on the lines suggested was the St. Martin's Place Bank, the leader of co-operation thirty years before, which had unaccountably lost the inspiration of its early years and no longer even held pride of place in size and influence among the English banks. By the middle of July the Manchester trustees were sufficiently encouraged to send out over 400 circulars to other Trustee Banks and to ask Mr. Joynson, with three of his colleagues, to prepare a scheme. The first circular met with poor response and it was not until a second circular was sent out in November

that the Manchester trustees felt they had sufficient encouragement to take the next step. Even then, only forty-two banks, not much more than a tenth of the total, were definitely favourable; but this minority represented £14,772,000, or nearly a third of the funds and included many of the leading banks. Sixty-five banks, representing a similar amount, were unfavourable, and nineteen were undecided. Two hundred and eighty-two did not even trouble to reply.

A meeting was held in Manchester on 24 February 1887, attended by representatives of twenty-six Trustee Savings Banks. Mr. James Jardine of Manchester presided and the resolution forming the Association was duly passed. The object of the Association was declared to be 'to watch over and protect the interests of Savings Bank depositors; and to provide the means of affording the help of advice and co-operation in matters of a general character in which Savings Banks or their depositors may be interested'. The constitution, which had been drafted by the Manchester trustees, was soon settled and a Council of Management formed consisting of representatives from Glasgow, Edinburgh, Manchester, Liverpool, Hull, Leeds, Preston, Warrington, Bloomsbury, Devonport, Belper, Gt. Yarmouth, Leigh, and Kirkham. The actuaries of Glasgow, Manchester, and Liverpool were appointed joint honorary secretaries; the actuary of Bloomsbury, honorary treasurer. The following month Mr. Edward Brabrook, a son of the Assistant Registrar of Friendly Societies, was appointed secretary. So was born an Association which in succeeding years was to take a prominent and growing part in framing the policy of the Trustee Savings Banks. Though it only slowly won general support, the banks began from this time to consider more regularly the interests and development of the movement as a whole in addition to their own local problems.

There was plenty for the newly-formed Association to do. Already a question had been asked in Parliament about the Cardiff bank. Mr. George Howell, the Member for North-east Bethnal Green, was a useful and able Member, noted for his activity in ferreting out any weak points in the legislation affecting the working classes. He had come to the conclusion that Trustee Savings Banks were insecure and consequently a menace to their depositors. On 14 February he asked a question

about the extent of the Cardiff frauds and the use of the phrase 'Government security' in connexion with Trustee Savings Banks; he suggested that a greater measure of personal liability should be thrown on trustees and asked for an official inquiry. Mr. W. H. Smith, the First Lord of the Treasury, attempted to put him off with an assurance that the Government would consider what further precautions could be taken; he pointedly stressed the absolute security of the Post Office Savings Bank and refused an official inquiry. But George Howell continued to ask questions during the following months and by July the Government, while declining to appoint a Royal Commission, had promised to introduce legislation.

It was soon obvious that it was going to be extremely difficult to secure agreement among the Trustee Banks themselves; they differed so considerably in size, methods, and outlook that they were divided as to the best way to put their house in order. Mr. Meikle of Glasgow, whose memory was longer than most and who maintained without challenge his position as elder statesman of the movement, was in favour of approaching the Government to see if they would extend to the Trustee Banks the guarantee of the State and, if so, on what conditions. Preservation of the local character of the banks was essential; the appointment of inspectors had been agreed upon in principle for thirty years and Mr. Meikle was prepared to go so far as to agree to the appointment by the Government of local trustees and the fixing by the State of the security to be given by the officers. The majority of those present at the Association Meeting were not, however, prepared to approach the Government at all at this stage. Eventually it was agreed to circularize all banks to find out how business was transacted in the different localities and then to frame certain general recommendations for the information of trustees. All this took time. The names of the local trustees were not known to the Association or available from any central source and had to be obtained by getting a Member of Parliament to move for a return. Eventually, in February 1888, the circular was sent out. It set out the statutory provisions intended to safeguard depositors and those affecting the liability of trustees. The absolute necessity of arranging for the double check, comparing pass-books with ledgers, providing an extracted list of depositors' balances, and holding meetings was

strongly emphasized. The importance of defining auditors' duties was stressed. Hours of business must be well known and rigidly adhered to. Above all, 'Savings Banks must adapt themselves to the altered circumstances of the day and move with the times'.

'It is desirable that the hours during which the business of Savings Banks may be carried on should be extended as much as possible. So long as a bank, large or small, is maintained in a state of thorough efficiency and is available to the public at reasonable and convenient hours, it is serving a useful purpose; but if from any cause there be a falling off in the interest of its Managers and consequent decrease in its efficiency, so far from promoting the cause of thrift it will become a positive hindrance to the practice of that virtue.'

In other words, there was nothing wrong with the Acts and Regulations. What was wrong was the inattention to the Acts and Regulations and the stick-in-the-mud methods of some of the old banks. 'The Council feel that the Act of 1863, on the requirements of which their suggestions are framed, amply provides for due efficiency if it be carried out strictly and with an intelligent appreciation of its provisions.'

Such sound advice must have had a salutary effect. But it could not of itself undo the harm which the Cardiff scandal had caused. The blast from the Cardiff bombshell had already laid waste many Trustee Banks on both sides of the Bristol Channel and had been felt as far afield as Yorkshire and Kent. Three more London banks closed in 1888 and many others in England and Wales were considering similar action. The biggest loss was the Bristol Savings Bank, which had over half a million of funds and was financially in a very sound condition. The city was near to Cardiff and the trustees were frankly scared. Bristol had suffered one calamity a few years before with the closing of the West of England Bank soon after the City of Glasgow Bank failure and now the savings bank trustees took the line of least resistance and abdicated in favour of the Post Office Savings Bank. The movement had been shaken to its foundations.

Nor had the Trustee Banks many friends at court. Sir Alexander Spearman, however critical he might have been at times, was recognized to have been a good friend of the old banks, as was Mr. Tidd Pratt, the former Savings Banks Barrister. Sir Charles Rivers Wilson, the new Comptroller-General of the

National Debt Office, had not shown the same sympathy and was thought to be unfriendly. This view seemed to be confirmed when he disallowed a bank's contribution to the new Association as not a 'necessary expense'. This unprecedented intervention of the Commissioners in a matter of internal management caused a mild storm. The banks continued to pay their contributions, fortified by Counsel's opinion that the Debt Commissioners were acting *ultra vires* and the authorities wisely allowed the matter to drop, but it was a discouraging sign. As for Mr. Ludlow, the new Registrar of Friendly Societies, he was known to be of the opinion that the Post Office system might well supersede the older trustee system.

The Government was, meanwhile, showing its hand. During the summer of 1887 it hurried through both Houses the short Bill, which Mr. Howell's persistence had secured, giving the Treasury powers to apply to a Judge of the High Court for the appointment of a Commissioner to hold an inquiry into the affairs of a Trustee Savings Bank and clearing up the legal position when a bank had to be wound up. A Commissioner was at once appointed to investigate the state of affairs at Cardiff. Neither the Trustee Banks nor their Association took any exception to this legislation, which was the least that could be expected.

It was otherwise with the Post Office Savings Bank and Government Annuities Bill introduced in August 1887. The old banks were staggered to find that the Government proposed to extend the limit of deposit to Post Office but not to Trustee Savings Bank depositors and to give the Post Office Savings Bank other exclusive privileges, including the right of their depositors to buy smaller holdings of government stock—down to £2. 10*s*. as compared with the £10 minimum of Trustee Banks.

The new Association acted quickly and effectively. Mr. Goschen, the Chancellor of the Exchequer, admitted that he was impressed with the arguments of the 'very large and influential deputation' which came to see him at the Treasury. As it happened, the modest proposal to extend the annual limit of deposit from £30 to £50 had already roused opposition from the joint-stock banks. It was late in the session and Mr. Goschen saw that if he persisted he would be faced with opposition from many quarters. He therefore gave way and withdrew

from the Bill the proposed extension of the annual limit of deposit. Whilst regretting the opposition of the joint-stock banks, he and other government speakers seemed to blame the Trustee Banks for the withdrawal of this concession. There was no justification for such a criticism, as the representatives of the banks had made it abundantly clear that they were in favour of increased limits of deposit provided that no invidious distinctions were made between the old savings banks and the Post Office. The Government was not prepared to extend the limit to Trustee Savings Banks, but they did agree to make the other privileges conferred by the Act apply to both types of savings banks. This was the main point for which the deputation had contended.

Mr. Howell was still taking every occasion to criticize the Trustee Banks, but there were other Members who spoke warmly for them, and Mr. Raikes, the Postmaster-General, thought the arguments of the deputation were reasonable. Mr. Bartley of the National Penny Bank deserves the credit for the introduction of the clause relating to small stock holdings, about which he had memorialized his fellow Members. He criticized the bankers for their short-sighted opposition, pointing out that many of those who had banking accounts began in a modest way in the savings bank. Among the Members who expressed regret at the Government's decision to give way on the question of limits of deposit and criticized the argument that Trustee Savings Banks should be treated on a basis of equality was the Rt. Hon. G. J. Shaw Lefevre, the Member for Central Bradford, who was shortly to take a leading part in deciding the immediate future of the savings bank movement.

One of the few arguments against equality of treatment for the Trustee and Post Office Savings Banks was the continued existence of a higher rate of interest to depositors in the Trustee Banks. The State was still paying trustees 3 per cent. and trustees were in most cases paying depositors 2¾ per cent. But Consols were steadily rising in value and, in the early summer of 1888, Mr. Goschen was able to convert £40,000,000 of the National Debt from a 3 to a 2¾ per cent. basis. This was in those days regarded as a stupendous operation. Mr. Goschen, like Lord Althorp and Mr. Goulburn earlier in the century, was fortified by the knowledge that he could use savings bank

moneys in possession of the Treasury to pay off dissentients. The conversion was completely successful and the new interest level affected many things, including the price of government annuities. A National Debt (Supplemental) Bill was accordingly introduced in May and quickly passed into law. This Bill contained a clause reducing the rate of interest payable to the trustees of savings banks to 2¾ per cent. and the maximum rate payable to depositors to 2½ per cent. No objection could possibly be taken to this reduction, for obviously the Government could not continue to pay trustees 3 per cent. now that the main securities in which the Savings Bank Fund were invested were on a 2¾ per cent. basis. The Trustee Banks had enjoyed a higher rate than the Post Office during twenty-seven important years, but in this new crisis they would have to show that they could continue to hold their own on level terms. The advantage was, in fact, now on the other side, for Mr. Goschen stated in Parliament that the cost of the Post Office Savings Bank, including both interest and management, worked out at £2. 18*s*. per cent., whereas the Trustee Savings Banks now received a maximum of £2. 15*s*. He was asked if he proposed to reduce the Post Office rate to £2. 5*s*. He said that no reduction would be made that year but 'some step in the direction indicated could not be long delayed'. In this he was a false prophet, for the rate has remained unchanged since 1888, whether interest rates on government securities have been high or low. Two and a half per cent. has become associated in the public mind with savings bank deposits.

The margin of 5*s*. per cent. left to the trustees for management was low enough. It was a definite discouragement to independent savings banks in London and other cities, where costs were high. Moreover, it tended to prevent or at least impede the much needed improvement in the salaries and status of the paid officers of the banks. Much of the inefficiency, the poor service to depositors and the cheese-paring methods of the past had been due to lack of adequate funds for management. Many of the frauds had been largely due to the poor salaries paid to the cashiers. The position was worsened rather than improved by the 1888 Act, but the banks had to wait many years before an extra half-crown per cent. was allowed to them.

In the midst of these discouragements Mr. Lyulph Stanley,

the Commissioner in the Cardiff inquiry, submitted his Report. His exposure of the laxity of administration and frequent breaches of law by the trustees, managers, and officers was only to be expected. His opinion that Trustee Savings Banks should not be allowed to use the word 'Government' in their title was generally approved. But the Government now had to consider whether to accept his general conclusions on the savings bank system:

(1) It was impossible to rely permanently on the unpaid supervision of Trustees and Managers and

(2) that there 'was no reason why, now that the Post Office Savings Bank existed, the Nation should pay an additional subsidy to these private banks where the depositor has less security than in the banks now established by the Nation itself'.

Mr. Howell now had more than enough evidence to justify him in raising the whole matter before Parliament. Further defalcations were reported at Sevenoaks. Mr. Howell gave notice of motion and obtained leave to move his Resolution on 1 June 1888.

Chapter XIV

THE SELECT COMMITTEE OF 1888–9 AND THE 1891 ACT

On 1 June 1888 Mr. George Howell, M.P., moved his Resolution in the House of Commons. It was in the following terms:

'That, in the opinion of this House, the relationship subsisting between Trustee Savings Banks and the State is unsatisfactory and ought to be revised; that Trustees and Managers should be restrained from using the words "Government Security", "Government Savings Bank", or other words implying more than the law rightfully authorises in connection with such Banks, the use of which is calculated to deceive depositors, create a false impression of security, and damage the cause of thrift; and that the Trustees and Managers of such Banks should, as formerly, be made responsible for the safe custody of the deposits committed to their care in connection with such Trustee Banks.'

In anticipation of a violent attack on the Trustee Savings Banks, the new Trustee Savings Banks Association had urged the banks to get into touch with their local Members of Parliament and, while making it clear that they had no desire to stifle inquiry or to oppose legislation designed to improve the usefulness and efficiency of the banks, urge that the trustee system, which blended private management with state supervision, had definite advantages over a purely state-controlled institution and ought to be retained. The system should not be judged on the defects of a single bank at Cardiff. The Act of 1863 contained sufficient provision to protect depositors if it were observed. It imposed on trustees liability for neglect of duty and it was unreasonable to saddle honorary trustees and managers with an unlimited liability which had been largely abandoned in regard to commercial undertakings. As for the use of the words 'Government security', it was agreed that the proper description of a Trustee Bank was a 'Savings Bank certified under the Act of 1863'.

It seems that very few banks were actually using the phrase 'Government security' or implying a government guarantee;

but in Scotland the savings banks which had come under the Trustee Savings Bank system after the passing of the Act of 1835 had wished to distinguish themselves from the other Scottish savings banks, which still remained under the Act of 1819, and had generally adopted the name of 'National Security Savings Bank'. The use of similar names had spread to some Trustee Banks in England, Wales, and Ireland.

Mr. Howell's speech was far more moderate than had been expected. He gave a fair account of the history of the old banks, drawing special attention to the big frauds (admittedly few in number) which had occurred during their long history and particularly to the disclosures made in the Cardiff inquiry. He agreed that many of the banks were well conducted and doing useful work, mentioning especially those at Glasgow, Liverpool, and Hull. He was not even unduly critical (as Joseph Hume would have been) in drawing attention to the fact that the banks had been run at a loss to the State. The loss last year was £13,746. 'But, with a rich nation like this, the sum of £10,000 a year would not be grudged if necessary for developing thrift in this country.' His main concern was to secure remedial legislation to prevent the recurrence of failures and defalcations, which were a perfect scandal. He reaffirmed the suggestions contained in his Resolution, particularly emphasizing his view that trustees and managers should be absolutely responsible for the due performance of their duties, like other trustees.

Fortunately for the banks, the task of replying to Mr. Howell had been entrusted, at the suggestion of the Hull Savings Bank, to Sir Albert Rollit, the Member for North Islington, who was a trustee of the Hull and Finsbury Savings Banks. No better choice could have been made. He took up with effortless enthusiasm the task which Sir Henry Willoughby had laid down over a generation before. His able and conciliatory speech on this occasion may be said to have established him as the chief friend and supporter of the Trustee Savings Banks in Parliament for the next thirty years. In the course of an active career he occupied many prominent posts including those of Lord Mayor of Hull, President of the Law Society, President of the Association of Chambers of Commerce and of the Municipal Corporations Association; but, from this time onward, his greatest interest lay in the savings bank movement and he probably did

more than anyone to guide it safely out of the crises of 1888 and 1891 into the era of prosperity which started in the twentieth century.

On the present occasion he accepted the whole of Mr. Howell's motion except the last clause. The position of trustee of a savings bank was one of honour and responsibility and he asked the House to consider how much the country owed to these trustees and not to run the risk of getting rid of this benefit by making their position untenable. He thought the whole question might be referred to a Select Committee. Trustee Savings Banks supplied a national want and met the convenience of a large number of persons in a way the Post Office Savings Bank could not hope to do. Granted that there had been cases of gross mismanagement, yet the general position of the savings banks was satisfactory. There could be no objection to an independent audit, to more frequent comparison of pass-books with ledgers. Nor could there be any objection to requiring security to be given by managers and clerks, or to government nomination of local trustees, provided local help and local interest were still maintained. Everyone wanted to get as much voluntary agency as possible. 'When one found that voluntary agency had, as a general rule, proved so successful in connection with the savings banks, and the trustees were willing to incur great liability and even to suffer by incurring it, I do not think Parliament ought to discourage them, but, on the contrary, should offer them every encouragement it could.'

Mr. Bartley, who followed, pursued his own individual line. The smaller Trustee Banks should, he thought, be worked into the Post Office. It would, however, be a serious disaster if the larger Trustee Banks were to be allowed to lapse. They should be dissociated entirely from the State and conducted as companies under Board of Trade Regulations, investing their money in Consols or similar securities. In other words, they should follow the example of the National Penny Bank.

The Chancellor of the Exchequer's reply allayed the immediate anxieties of the friends of the old savings banks. Mr. Goschen could conceive of no greater disaster than that any blow might be struck at the confidence of the working classes in institutions like the Trustee Savings Banks. If one contemplated the proportion which the frauds which had taken place bore to the magni-

tude of the investments, he did not think it would be found to be greater than that of frauds occurring in other departments of business. It was impossible under any regulations to make certain that frauds would not take place; no private bankers or limited liability companies had been able to avoid them.

With regard to the deficiency in the Savings Banks Funds lodged with the Government, he did not think any blame or odium ought to be attached to the trustees of the banks. There was a very slight annual loss at present, owing to the fact of the funds being so high during the last few years, but, if the accumulated deficiency in Mr. Gladstone's day had been calculated on the basis of present market prices, it would be far less. He did not dispute Sir John Lubbock's estimate that it would be in the region of £120,000 instead of £3,500,000. He agreed with Sir Albert Rollit that Mr. Howell's proposal to make trustees absolutely liable went too far. 'It is only the disasters with which the House of Commons and the public are acquainted; we see little of the considerable service and magnificent working of many of the larger institutions which have done so much credit to the country.' Finally, Mr. Goschen promised that the Government would move for a Committee which would be empowered to inquire into every aspect of the question, except the rate of interest.

The Select Committee promised by Mr. Goschen was appointed on 18 June. The Chairman was the Rt. Hon. G. J. Shaw Lefevre and, of the other sixteen members, Mr. Howell and Mr. Bartley were the two who were most interested and informed about the subject and consequently took the most active part in the examination of the witnesses which followed. Sir Albert Rollit's name was not included, but a good many of the members of the Committee were sympathetic to the Trustee Banks and one of them, Mr. Whitley, the Member for the Edmonton Division of Liverpool, had already been useful to them on previous occasions.

Evidence was taken between the end of June and 24 July, but the inquiry was not concluded by the end of the session in November and the Committee was reappointed the following March. The Report was not presented until 2 August 1889, after more than a year's deliberations.

The official witnesses were Sir Charles Rivers Wilson, the

Comptroller-General of the National Debt Office; his assistant, Mr. Taylor; Mr. Ludlow, the Chief Registrar of Friendly Societies; and Mr. E. W. Brabrook, Assistant Registrar, who later, as Sir Edward Brabrook, became an eminent and popular Chief Registrar. Of these Mr. Ludlow was frankly hostile to the old banks. He had been defied by the Cardiff trustees and had little contact with the banks except in cases of fraud and dispute. Consequently, he had little use for them. 'If the security of the depositors is the only object to be considered, then I think that the whole business should be handed over as soon as possible to the Post Office Savings Bank.' In an historical memorandum presented to the Committee Mr. Ludlow referred to the Post Office Savings Bank as 'a system which seems destined to supplant altogether the Savings Bank system proper'. Mr. Brabrook, on the other hand, took a completely different attitude from his chief.

'It appears to me that the circumstances of any particular failure of a particular Bank are not such as to deprive the whole number of institutions of that kind of privilege which Parliament has deliberately granted to them and which they have on the whole well and wisely used. I am of opinion, moreover, that local management and local encouragement for institutions of this kind have in some respects advantages over central management and that, as they exist, it would be a great pity to determine their existence until some more solid ground for doing so has been presented.'

He pointed out that the few frauds which caused loss to depositors had, until the Cardiff case, occurred between 1844 and 1863, when trustees were immune from liability. Rather than confine the Trustee Banks still further, he would prefer giving them greater freedom from state control on the lines of the well-managed Mutual Savings Banks of America.

Sir Charles Rivers Wilson was coldly non-committal. He would be sorry if the result of new legislation were to destroy some of the larger and excellent institutions which had done such very good service, but he thought the smaller banks should be encouraged to transfer to the Post Office. He had not hesitated to advise some of them to do so. More would close were it not for the vested interest of officials. As for the local trustees, they were no longer the county gentlemen but 'perhaps the local tradesmen and include, in some cases, the local busybody'. He had

no wish that further powers of inspection, audit, or supervision should be placed in the hands of the Commissioners, as this would imply government responsibility without real control. He would prefer the Debt Commissioners to act purely as bankers.

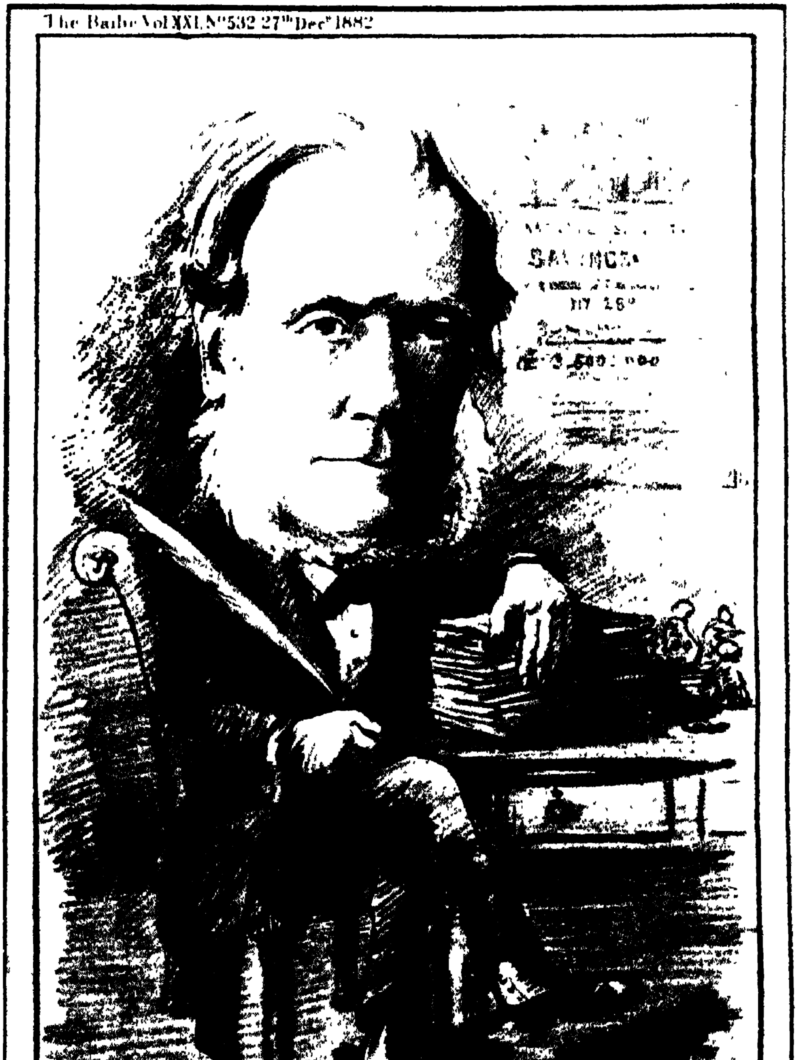
His most outspoken criticism was of Section 16 of the 1863 Act, under which a number of the larger banks were now conducting special investment departments. This Section, he contended, was at variance with the spirit of savings bank legislation and, now that the 1880 Act had created facilities for purchase of government stock, the need for it no longer existed. He was clearly nervous about the growth of these special investment departments, over which the Debt Commissioners had no control and which were, in some banks, growing at the expense of the government department. This was a criticism which the banks had hardly expected, as there had been no special investment department at Cardiff, nor had there been any losses or disputes in connexion with these departments. But the future of special investments had now been brought to the forefront of the inquiry and was to bulk largely in the future proceedings.

The Trustee Savings Banks Association had left the presentation of evidence on behalf of the banks in the hands of the honorary secretaries, Thomas Banner Newton, Louis Andrews, and William Meikle, the actuaries of Liverpool, Manchester, and Glasgow. Mr. Newton, who was recognized as the ablest of the English actuaries at the time, was able to give the Committee convincing proof that the Liverpool Savings Bank was well administered and doing fine work to the satisfaction of its 85,000 depositors. 'I attribute', he said, 'a great deal of the success of thrift, especially in Liverpool, to the establishment of the Post Office Savings Bank, which affords a healthy competition.' He deprecated government inspection, but did not wish the Government to relinquish partial control of Trustee Savings Banks. He urged that every encouragement should be given to the banks' own Association which, if recognized by the Government, might well work in harmony with the Treasury and National Debt Office in raising the level of administration and efficiency and might even send out auditors or inspectors for this purpose.

All this was an expression of the agreed policy of the Association, but some of his fellow actuaries took serious exception to Mr. Newton's evidence on special investment departments. He informed the Committee that he was in favour of the repeal of Section 16, if Parliament would extend the limits for investment in government stock to £100 a year and £1,000 in all. He went farther and told the Committee that he 'would not like to have invested our money as other Banks have invested theirs'. This rather self-righteous declaration was understood to refer to the Bradford Bank, whose special investment department was nearly four times the size of the government department. When the Bradford Corporation had sought to reduce the interest on the loans made to them by the trustees, the trustees had refused to agree to a reduction and had invested the money largely in mortgage of property. Mr. Newton was doubtless right in thinking this unwise, but his suggestion that the investment department should be abolished was unfortunate. So strongly did the other banks resent this part of Mr. Newton's evidence that he had to resign his office in the Savings Banks Association, which he had previously filled with such acceptance.

Mr. Andrews of Manchester did not produce many new facts, but there was a hint that the Manchester Corporation would be willing to take over the local savings bank and that, if a satisfactory solution of the question of liability for loss could not be found, his trustees might prefer such a course to the alternative of complete state control. He admitted that his trustees would not have started a special investment department had the 1880 Act been in existence at the time, but he did not suggest, like Mr. Newton, that Section 16 should be withdrawn.

There is no doubt that the ablest evidence came from old Mr. Meikle of Glasgow. With the prestige due not only to his position as actuary (for forty years) of the largest Trustee Savings Bank, but to his long experience and the fact that he was the only survivor of those who had given evidence before the Select Committee of 1858, he spoke with confidence and knowledge of the value of Trustee Savings Banks. Even Mr. Howell, who had acted as a sort of counsel for the prosecution throughout the proceedings, could score no points against Mr. Meikle. It was Mr. Meikle's last and perhaps greatest service to a movement to which he had devoted a long lifetime. Trustee Savings Banks,



WILLIAM MEIKLE

Actuary, Savings Bank of Glasgow, 1849–1903

he pointed out, flourished in Scotland, where they showed an increase since 1861 of £6 millions at a time when the English Trustee Banks showed a decrease. This he attributed to the 'less accommodating system' in England. The Scottish success was due to the full facilities they gave to depositors, including daily openings, branches, encouragement of penny banks, and payment on demand. The readiness with which they met the wants of the people gave them superiority over the Post Office. Their special investment department was reserved for the oldest and most exemplary depositors. The money was invested in local securities which yielded the bank a satisfactory profit and enabled local School Boards to borrow more cheaply than from the Public Works Loans Commissioners.

Referring to the supposed loss to the State from the Savings Bank Fund, Mr. Meikle mentioned Mr. Gladstone's and Sir Stafford Northcote's tributes to the value of these funds to the State, far outweighing any loss which had from time to time been incurred. 'Although there might be a trifle of loss occasionally, yet that loss is repaid to the State sevenfold in increased order and industry among the people and in the palpable diminution of the poor rates and other expenses connected with crime.'

Mr. Meikle put before the Committee the considered suggestions of the Glasgow trustees, which had been circulated to the leading savings banks. Forty of the fifty banks which had replied had approved them.

'1. There should be a scale of security for Savings Bank officers, combined with a "Fidelity Guarantee Fund", raised by the Banks jointly or severally from contributions by the officers or from surplus funds.

'2. Improved audit arrangements, including requirement that auditors shall compare not less than ten per cent. of pass-books with the ledgers.

'3. An increase in limits of deposit to £50 a year and £300 in all, interest to run on after maximum is reached.

'4. Parliament to give powers of inspection to a board of persons experienced in the management of Savings Banks, such as the Chairmen or Actuaries of Banks with over £300,000 of funds. This would be a statutory body independent of the Government and so not involving the Government in further financial liability. It would be financed out of the interest on the Separate Surplus Account in the

hands of the Debt Commissioners, which at present was not credited with interest.

'5. Investments under Section 16 to be limited to Trustee Securities and loans on security of the rates to authorities in the immediate locality of the Bank. Yearly accounts of Special Investment Departments to be published and the statutory provisions regarding checks, audit, minutes, etc., to apply to these deposits in the same way as in the Ordinary Department.'

Many of these wise suggestions were subsequently adopted. Indeed, it may be said that experience has since shown that had they been adopted as they stood, the best features of the impending legislation would have been retained without the harmful restraints which had to be removed at a later date.

The other witnesses did not carry the same guns. Mr. Bartley himself gave evidence of the history and working of the National Penny Bank and again aired his views as to the advantages of registering savings banks under the Companies Act. Alderman Rayment, a Hull trustee, denounced officialdom. Mr. West, actuary of Bloomsbury Savings Bank, had no use for small savings banks with under £30,000 of deposits. A healthy corrective was given to the implication that small banks were, *ipso facto*, inefficient by the Rev. A. S. Page, a trustee of a small bank at Selsey in Gloucestershire, who showed how the simple and friendly advice given by trustees and managers in a small community often meant more to the small savers than the existence of official machinery for the safe custody of their money.

While the Select Committee was still sitting, another defalcation came to light. A junior clerk of the Macclesfield Saving Bank embezzled over £4,000. Such an occurrence would normally have been regarded as a painful local incident soon to be forgotten. But the public attention now directed to such cases, together with some revelations at the trial of the defaulting clerk, convinced the Debt Commissioners that there was another case for an official inquiry under the 1887 Act. So for the second time a Commissioner was appointed to search for defects in the administration of a savings bank. There is no need to dwell on the details elicited by the inquiry. The trustees and managers had again been lax and there were two 'sensations' which made good Press copy. One concerned the excellent dinner enjoyed by the trustees at the expense of the bank

after a brief annual meeting; the other the existence of a 'dirty book' in which were recorded each year the undiscovered errors which had to be concealed in preparing the Annual Balance Sheet!

It was, however, a sorry blow that at such a time this Commissioner (Mr. Harold Arthur Perry) should have had to write what could only be regarded as a kindly obituary notice of the old savings banks.

'Statistics seem to show that Trustee Savings Banks as a national institution are steadily decaying. Some 50 of them out of 350 have closed their doors within the last twelve months. It is impossible to avoid regretting this fact, as these banks have, on the whole, done good public service in the past and tended to give the upper classes in many districts an opportunity of furthering the welfare of their humbler neighbours. No purely official system, however practically convenient and however well and honestly administered, can display the kindly personal interest which has been fostered by well conducted Trustee Savings Banks.'

In all the circumstances, the Report of the Select Committee when it appeared in 1889 was as favourable to the Trustee Banks as could have been expected. Mr. Howell, it is true, had composed his own Report in a more critical vein, but all the rest of the Committee approved the Chairman's draft which was duly adopted.

'It is certain', the Committee reported, 'that in some large towns, where the Trustee Savings Banks have existed for many years and have gained the confidence of the people, there is a marked preference for those Banks over the Post Office Banks. It appears that there is room for both Trustee and Post Office Savings Banks and your Committee, while thinking it probable that many more of the smaller Trustee Banks may be merged in the Post Office, would regret the general disappearance of such Banks.'

Having thus decided that the trustee system should be allowed to continue, and after reviewing the evidence of weaknesses disclosed by the Cardiff and other frauds, the Committee was quite moderate in its other recommendations. If the provisions of the 1863 Act were carried out fully, carefully, and accurately, there would be little risk of loss through negligence or fraud. Arrangements for audit were, however, often unsatisfactory and the importance of a continuous audit including a comparison

with the ledger of a proportion of pass-books, as well as the cash-books and the extracted list of depositors' balances, was emphasized. The Committee decided against a government audit, which would make the Government practically responsible to the depositors, and recommended that the trustees and managers should be expressly empowered and advised to form a perfectly independent board of audit, consisting of 'six or seven persons of well-known position and responsibility who shall not be paid officers of Trustee Savings Banks'. This board of audit would appoint professional accountants locally to see that the Acts and Regulations were carried out. It should be financed by the banks, who should be authorized to apply part of their surplus funds for the purpose. It should also have power to move the Treasury to appoint a Commission under the 1887 Act in suitable cases.

This was the most important recommendation of the Committee. It was generally on the lines advocated by Mr. Meikle. Unlike the rest of the recommendations, it was only approved by a single vote. Mr. Howell's amendment, to rely on local chartered accountants or public auditors and to give the National Debt Commissioners greater powers of instituting examination into the affairs of a bank and, if necessary, closing it, received five votes to six for the Inspection Committee proposal.

To the general relief of the banks, no recommendation was made with regard to Section 16 of the 1863 Act, the Committee merely emphasizing the heavy responsibility of trustees in undertaking such an extension of their duties. The only other expressions of opinion of importance were that depositors should be informed through their passbooks that the Government was not responsible for the deposits and that trustees and managers who did not carry out any duties should not be retained in their office.

Clearly there was not a wide or unbridgeable gap between these recommendations and the proposals of the Glasgow trustees, which had by this time been approved by the Savings Banks Association. The banks, through their Association, decided at once to press the Chancellor of the Exchequer to adopt their own suggestions. Sir Albert Rollit personally approached Mr. Goschen and arranged to show him over the Hull Savings Bank so that he could see at first hand how an

active Trustee Savings Bank worked. In November an official letter was sent to Mr. Goschen welcoming the recommendations of the Select Committee, but suggesting certain modifications in points of detail. The only point of real controversy was the constitution and financing of the proposed Committee of Inspection or Audit. The banks wished to keep this body under their own control through their new Association or by restricting its members to experienced trustees and actuaries. The Select Committee envisaged an independent body composed of 'persons of position and responsibility'. Sir Albert Rollit agreed to embody the banks' views in a private Bill which he duly introduced on 24 February 1890. The Government, however, proceeded to frame its own Bill. When the Government Bill was presented for first reading on 28 April, the banks found it not at all to their liking. It was evident that the ghosts of Haworth of Rochdale, and Williams of Cardiff, still stalked the corridors of Whitehall and Old Jewry. The Hull Savings Bank, which was now taking an increasingly prominent part in framing savings bank policy, thought the Bill 'really meant the extermination of the Trustee Savings Bank system'. It was at once decided to organize another really influential deputation to see the Chancellor of the Exchequer. The deputation, which included about seventy Members of Parliament from all parts of the British Isles, was introduced by Sir Albert Rollit. Mr. Goschen, after hearing its views, was so impressed that he conceded nearly all that was asked. For instance, the first clause, as originally drafted, would have compelled all Trustee Banks to print on the face of the pass-books a statement that the Government was not responsible for the security of the funds. This was the sort of half-truth which might well have caused consternation among depositors. Mr. Goschen now agreed to be content with a modified statement to the effect that the Government was only responsible for funds invested with the National Debt Commissioners. A more important objection to the original Bill was that it would have repealed Clause 16 of the 1863 Act and so made special investment departments illegal. There was no warrant for such a suggestion in the recommendations of the Select Committee. Mr. Goschen now offered to allow those banks which had hitherto conducted these departments to continue to do so, subject to certain limitations.

These were the most important issues. The idea of the new Inspection Committee was accepted in principle, although suggestions were offered for improving its constitution. When, therefore, Mr. Goschen moved the second reading of the Bill on 21 July 1890, he was able to announce that he had agreed to considerable alterations which would, he thought, meet the views of all concerned. The session was now well advanced and he asked that, in order to save time, the original Bill should be read a second time without discussion and then committed *pro forma* to enable the government amendments to be proposed and the Bill to be seen as a whole.

He had, however, reckoned without Mr. Storey, the Member for Sunderland, who liked neither the Bill nor the attempt to pass the second reading without discussion. He spoke with the unusual qualification of having at different times been auditor, secretary, manager, and trustee of the Sunderland Savings Bank. He thought the legislation unnecessary, but devoted most of his speech to denouncing the cowardice of the Government in once more giving way to the joint-stock banks and withdrawing a clause which would have increased the individual limit of deposits from £150 to £200. In spite, therefore, of qualified blessings given to the amended Bill by Sir Albert Rollit and others who had taken part in the deputation, Mr. Leng of Dundee and Mr. Tomlinson of Preston, in spite of the enthusiastic backing of Messrs. Howell and Bartley and the commendation of the veteran Gladstone, now in his eighty-first year, the hope of an agreed measure was rapidly fading. Business was already behindhand, owing partly to obstruction from the Irish Members. Moreover, individual savings banks were still opposed to some of the Bill's clauses and were pressing their Members to secure amendments before the third reading. After one more abortive attempt to secure agreement on 5 August 1890, the Government was forced to abandon the Bill for the session. It almost looked as though the experience of the fifties was to be repeated. Many of the most influential savings banks had done their best to support the Government and even tried to put pressure on Mr. Storey. Mr. Goschen acknowledged that they had been most anxious the Bill should pass and promised that it would be introduced next session.

When the Bill was reintroduced in February 1891, Mr. Storey no longer opposed it. There was at last general agreement that it must pass quickly. Mr. Leng of Dundee expressed the appreciation of the Scottish savings banks of the efforts made by Mr. Goschen since the previous session to meet their views. There were three main criticisms of the measure as it stood, but none of these was directed against the real substance of the Bill—the proposal for setting up an independent Inspection Committee.

Firstly, there was disagreement as to how far the State should exercise any control over the expenses of the banks. The Inspection Committee must necessarily have some supervision over management and be able to restrain unnecessary and extravagant expenditure. The Bill gave the final decision as to what were 'necessary expenses' to the National Debt Commissioners. The banks were strongly against government interference in this matter. Mr. Whitley of Liverpool went so far as to say that in the opinion of all savings banks 'there is no control they dislike so much as that of the National Debt Commissioners'. This was undoubtedly the mood of the moment, aggravated as it had been by the Commissioners' attempt to disallow the banks' subscriptions to a Central Association. Mr. Shaw Lefevre came to the same conclusions as Mr. Whitley and Sir Albert Rollit from another angle of approach. He feared that, if the Commissioners exercised this control, the Government would be morally responsible if anything went wrong with the banks. Mr. Goschen was not, however, prepared to relinquish this measure of government control over savings bank expenditure. Although some modification of the wording of the clause was conceded, its object was retained.

Secondly, there were the new restrictions on the operations of special investment departments. Sir Albert Rollit protested against the limitation of powers to conduct these departments to banks which already were doing so on 20 November 1890. He asked that the date should at least be postponed for a year. The Chancellor of the Exchequer would not give way, though ultimately the date was altered to 1 June 1891, in order to meet the special case of the Derby Savings Bank, which had opened an investment department at the beginning of the year.

But the question on which there was most interest in Parliament was the limit of deposit. There was a very strong feeling among members of all parties that the limits of deposit fixed in 1828 were no longer adequate. Wages were higher, money was more plentiful, and yet every time an extension of limits had been proposed, it had met with strong opposition, mainly from the smaller country private banks. The existing limits were £30 a year and £150 in all; interest was allowed to accumulate up to £200 but ceased at that figure. The Government's proposal in the 1891 Bill was to increase the total limit of deposit to £200 while retaining the annual limit of £30. Interest was still to cease at £200. Even this modest extension was opposed by Mr. Brodie Hoare on behalf of banking interests. Trustee Banks, he maintained, bolstered up by government credit, competed most unfairly with private and other banks. Mr. Howell, on the other hand, having won his battle to afford greater security to depositors, was all in favour of increased limits, moving that the annual limit should be £60 and the total limit £400. Though supported by Rollit, Shaw Lefevre, and others, he met with no success. Mr. Goschen frankly admitted that he was 'adverse to any measure which would largely increase the already gigantic amount standing to the credit of depositors in the hands of the National Debt Commissioners and on which the Government is bound to pay a large interest'. Lord Stanley of Alderley was equally unsuccessful in the House of Lords in seeking to increase the annual limit to £80, the sum fixed in France and Belgium. One small but useful concession was made. A depositor was allowed to replace one sum withdrawn within the year without the redeposit affecting the annual limit.

After these and similar comments the 1891 Savings Bank Act soon passed through its remaining stages, with a general if not enthusiastic welcome on all sides, except from Lord Denman, who extravagantly denounced it as the 'most dangerous measure that ever was presented to Parliament'.

So ended the succession of events which arose out of the Cardiff failure. They have been described in some detail because they finally fixed the voluntary Trustee Savings Bank system as a part of the country's financial structure, side by side with the state-controlled Post Office Savings Bank. In the issue, Mr. Howell, whose persistence had led both to the appoint-

ment of the Select Committee and the 1891 Act, had proved a good friend to the old banks. He had drawn attention to very real weaknesses in the movement. His action had forced the banks to combine in a permanent Association—a form of co-operation which had been too long delayed and was to be of immense value to them as the years passed. It had also forced trustees and managers to examine the methods of their own banks and so had done much to improve administration and increase the service they offered to depositors. It had led to the setting up of an independent Inspection Committee intended to safeguard the interests of savings bank depositors and to see that one or two dishonest officials or supine bodies of trustees would never again bring the whole system so near the edge of the precipice.

Obviously much depended on how this Inspection Committee would set about its task. Its main function was to criticize lax administration, compel the observance of statutes and regulations and initiate new and improved methods of book-keeping. These duties might be carried out in a purely critical and censorious manner; or they might be so exercised as to reinvigorate the weaker banks and stimulate the whole movement to greater endeavour. When the banks knew that Sir Albert Rollit was to be its first Chairman, they realized that they could ask no better guarantee that its task of inspection would be carried out with sympathy and a strong belief in the future of Trustee Savings Banks.

The constitution of the Inspection Committee was interesting and unique. Here was a statutory body, entirely independent of the Government, appointed to examine and improve the administration of a nation-wide network of self-governing savings banks which had been conducted for three-quarters of a century under a shadowy and ill-defined government supervision. Of its seven members, three were to be chosen from nominees of the larger Trustee Savings Banks (i.e. those with over £500,000 invested with the Government). Three other members were to be nominated by public non-political bodies, the Bank of England, the Incorporated Law Society, the Institute of Chartered Accountants in England and Wales, and the seventh was to be the Registrar of Friendly Societies or his nominee.

The first representatives of the banks were Sir Albert Rollit,

M.P., Mr. John Ure, Dean of Guild of Glasgow and Chairman for many years of the Glasgow Savings Bank, and Mr. T. H. Newman, a city merchant and trustee of the Blomfield Street Savings Bank. On Mr. Newman's death in 1894, he was succeeded by Mr. Thomas C. Wright, a barrister and trustee of the Bloomsbury Savings Bank, who had been exceedingly useful to the Savings Banks Association in its early years and was one of the framers of the scheme under which the Inspection Committee was constituted. The Bank of England was represented by its chief accountant, Mr. H. G. Bowen, the Law Society and Chartered Accountants by their respective presidents, Mr. W. M. Walters and Mr. T. A. Welton. It was a strong team. The first secretary of the Committee was Mr. W. S. Cameron of the National Debt Office, who carried out the difficult duties to the general satisfaction for thirty-five years.

The four years before the new Committee began to function had been disastrous years for the Trustee Savings Banks. The reduction of the rate of interest in 1888 to 2½ per cent., the publicity caused by the Cardiff revelations, and the public discussion on the duties and liabilities of trustees which had followed had resulted in a host of savings banks, though perfectly solvent, abdicating in favour of the Post Office. In four years 101 banks, representing nearly £5 millions of funds, had closed. Nor were they all small institutions, though over half of them had less than £25,000 of cash balances apiece. In addition to the voluntary closing of the prosperous Bristol Savings Bank and the forced suspension of the banks at Cardiff and Macclesfield, the pioneer bank at Bath, with over £300,000 of deposits, closed its doors, as did other sound and successful banks at Worcester, Hereford, Salisbury, Lancaster, and Northampton. The decline of the trustee system in London was further emphasized by the closing of the St. Marylebone Bank, which had been criticized by many inside and outside the movement owing to its high management expenses and its policy of paying only 2 per cent. interest to depositors with less than £30. The Chelsea Bank also closed under the shadow of disclosures of dishonesty in the staff. Smaller savings banks at Farringdon Street, St. James's (Piccadilly), and Camberwell failed to survive these years. Gloucestershire, Kent, Staffordshire, Suffolk, and

Dorset were almost left without a Trustee Bank between them owing to the closing of twenty-six of the remaining institutions in these five counties.

These were dismal enough surroundings in which the Inspection Committee began its task. And there was nothing more certain than that a considerable number of the 281 banks which were still open in November 1892 would not be prepared to make the readjustments and improvements which the Inspection Committee was bound to recommend. So indeed it turned out. In the next four years another forty-two banks closed. Very few of these represented much loss to the country or to thrift, for they were open only a few hours a week and lacked the enterprise to meet the new situation. But the closing of a few good medium-sized banks, like those at Truro, Doncaster, and Ipswich, was an unnecessary weakening of the savings movement in those towns. In 1896 came the last and greatest blow. The St. Martin's Place Savings Bank decided to close. This old, aristocratic bank, the acknowledged leader of the Trustee Banks a generation before, the militant representative of the fight against Mr. Gladstone, had sadly fallen from its high place. It still boasted funds of nearly £900,000, but, even in London, it had yielded pride of place to the more progressive banks at Blomfield Street, Finsbury, and Bloomsbury. When the Inspection Committee called on its trustees in 1895 to reduce their expenditure, superannuate some of the older officers, and reconstruct the business on modern lines, they showed no spirit but preferred to close, after giving generous compensation to the officers who had proved incompetent to keep alive a great eighty-year-old institution. Such an event, which would have been a staggering blow to the whole movement in Mr. Boodle's day, now caused but little sensation, though the trustee system in London is only now beginning to recover the ground it lost through this sad defection.

Although the closing of the St. Martin's Place Bank and a few other less substantial banks was directly due to the intervention of the Inspection Committee, its influence during the last years of the century was generally beneficent. Very little dishonesty was discovered but a good deal of laxity and inefficiency. The Committee began by dividing the country into thirty-one districts and appointing local professional accountants to

inspect the banks in their own districts. It soon proved more convenient and economical to have some central full-time inspectors. The part-time accountants were reduced to eleven and then gradually superseded altogether. The full-time inspectors had good qualifications and many of them later obtained posts as actuaries of savings banks and did excellent work in their new spheres.

The voluminous Reports of the Inspection Committee in those early years show how much room there was for such a body. But it is unnecessary to recapitulate in detail the many cases of non-compliance with regulations and of petty maladministration which they reveal, the frequent denunciations of erasures, defective audits, and poor service. The removal of trustees who took no active interest in their banks was all to the good. Over 500 vacated office in a single year and the boards of management, thus pruned, became more alive and energetic. Aged officers (six at least were over 80) were retired, though unfortunately no proper provision of superannuation could then be made. Model rules were framed. Suggestions were made for standardizing the methods of book-keeping and audit. Improvement was soon noticed and commented upon in the Reports.

To see these years in perspective, however, it is important to remember that the greater part of the Trustee Savings Bank funds were held by a relatively few well-administered banks, which had already set a standard of service and efficiency of which any movement might be proud. This was acknowledged by the Committee, who, on the whole, reported favourably. 'Many Banks', it reported in 1895, 'are in a high state of efficiency.' It went on to express its high sense of the amount of time and personal service devoted by trustees and managers and treasurers to the interests of depositors.

There were, of course, black sheep. But in only one case—at Sudbury in 1893—did the Committee have to use the machinery of the 1887 Act and secure the appointment of a Commission to inquire into its affairs. This was the last time this Act, the direct result of the Cardiff failure, has had to be used.

The numerous closings of banks during these years not unnaturally had their effect for a time on the total savings held

by Trustee Savings Banks. There was a temporary reversal of the slow but steady progress which had raised the combined funds from £36,382,116 in 1866 to £47,262,222 in 1887. The figures relating to the General or Government Department (now usually referred to as the Ordinary Department) during the last years of the century speak for themselves:

	£		£
1888 . . .	46,404,688	1894 . . .	43,474,749
1889 . . .	45,127,820	1895 . . .	45,312,681
1890 . . .	43,650,552	1896 . . .	46,699,687
1891 . . .	42,858,434	1897 . . .	48,463,938
1892 . . .	42,385,032	1898 . . .	49,995,373
1893 . . .	42,225,801	1899 . . .	51,404,930

If special investments and government stock are included, the liability of the banks to their depositors had risen by the end of the century to over £57 millions.

The recovery in 1894 was helped by an increase in the annual limit of deposit from £30 to £50. At long last the Government moved. Greatly daring, they even brought in a Bill in 1893 to raise the annual limit to £100. The usual opposition soon manifested itself and the compromise figure of £50 was substituted. The Savings Bank Act, in which this provision was incorporated, received the Royal Assent on 21 December 1893. The same Act raised the limit for the purchase of government stock through the savings banks from £100 to £200 a year and the total limit from £300 to £500. There was a curious provision that, where depositors accumulated more than £200 in savings bank deposits, as for example by the addition of dividends on government stock or the transfer of sums from the accounts of depositors who had died, each £5 of the excess should be automatically invested in Consols, if the depositors made no other arrangement for its disposal. This provision was unpopular from the first, was widely ignored, and was repealed later. But it showed how reluctant the Government still was to see a substantial increase in its liabilities to savings bank depositors and how hard it tried to induce or compel them to convert these deposits repayable at call to the more stable holdings of government stock.

The depositors, generally speaking, had other views. Many of them did not understand the security market, nor did they

want to tie up their money. The more knowledgeable of them recognized that at a time like the nineties, when 2¾ per cent. Consols were generally above par, they were more likely to lose than gain money, if they had to sell their holdings. The average price of Consols, for instance, in 1895 was about 106. The conversion of the debt to a 2½ per cent. basis was rapidly approaching and there was a general feeling that the rate of interest on savings bank deposits would have to come down. The Chancellor of the Exchequer (now Sir William Harcourt) set up a Departmental Committee to investigate the question.

When his successor, Sir Michael Hicks Beach, took office in July 1895, it was expected that he would have to deal with the question in his first Budget. The price of 2¾ per cent. Consols was still soaring and in 1896 reached 114, at which price the yield was actually less than could be obtained on savings bank deposits repayable at call. It was not surprising that money poured into the savings banks, particularly the Post Office. Shortly before the introduction of the 1896 Budget, *The Times* published an article which was generally thought to be officially inspired. 'We have become, so to say, profligate in our encouragement of thrift. We have been offering inducements to shrewd, well-to-do persons to invest their money on exceptionally good terms; and though we are quite willing that the genuine working-class depositor should have the benefit of these terms, we see no reason for extending them to other classes.' The article went on to suggest that the maximum savings bank balance on which 2½ per cent. should be paid should be £100 and that the increase in the annual limit from £30 to £50 in 1893 had been a mistake and should be withdrawn.

Sir Michael Hicks Beach seemed to be thinking along the same lines in his 1896 Budget speech:

'The deposits in the Post Office Savings Bank had nearly doubled in the last ten years, and in so far as it was due to the increasing thrift and prosperity of our working-classes, it would be a source of congratulation, but he was afraid there was another cause not so satisfactory. He found that the actual percentage of increase in the deposits of the savings banks between 1875 and 1893 was 3·8, but between 1893 and 1895 they had nearly doubled, the percentage being 8·2, and of this increase about half, or more than ten millions,

was due to the operation of the Savings Bank Act of 1893. This Act raised the minimum limit of the annual deposit from £30 to £50. In 1894 about 35,874 persons deposited in one single sum the maximum amount of £50, and in 1895 the number increased by 35 per cent. He could not think that any large number of those persons belonged to the wage-earning classes, for whose benefit the savings banks were instituted. He did not see why the State should undertake the business of banking for persons perfectly well able to take care of their own deposits, and to invest them to the best possible advantage; and, particularly, he did not see why that should be done when the State or, in other words, the tax-payer was compelled to pay 2½ per cent. for deposits at short notice at savings banks, and could only invest that money to produce little less than 2½ per cent. It might be right that the State should lose a little to encourage thrift among the working-classes, but he did not see why the State should lose in order to enable depositors who belong to quite another class to obtain a larger interest for their money than they could obtain from the ordinary banks, and before long it might be necessary to propose some alteration in the law which he hoped might have the effect of preventing an abuse of the savings bank system without discouraging thrift. This, he thought, might be done by reducing the present rate of interest on deposits of large amounts.'

Sir Samuel Montague, M.P., received much support for a suggestion that deposits in excess of £50 should receive only 2 per cent. Sir Albert Rollit recognized that the savings banks might not be able to resist the demand for a reduction of interest if Consols remained at the existing level and concentrated on putting the case against a reduction in limits of deposit. During the following years the *Bankers' Magazine* was continually stressing the unfair competition of the Post Office with the joint-stock banks, both as regards rates of interest in the Savings Bank Department and the enormous development of the service of transmission of cash by money orders and postal orders.

Fortunately the Chancellor of the Exchequer decided to postpone action on such a controversial subject and, when, in March 1898, he was challenged about the loss on the Savings Bank Funds, he said: 'We are approaching the time when the interest on the National Debt will be reduced from 2¾ per cent. to 2½ per cent.; that will be the proper time to reduce the rate of interest paid to Trustee Savings Banks from 2¾ per cent. to

2½ per cent.[1] and the Post Office Savings Bank would naturally follow with a similar reduction of ¼ per cent.'

Against such a tendency the savings banks were powerless. They began to look more closely at the restrictions placed by the 1891 Act on their special investment departments, which, but for official discouragement, might yet give scope for a rather higher interest to depositors. A very serious defect in the 1891 Act, so far as it related to special investments, had revealed itself in 1892. The Act had been so carefully studied in its embryo stages that it is surprising that no one had noticed that, by limiting the powers of investment to trustee securities, it had deprived the trustees of those banks which were operating under Section 16 of the 1863 Act of the most suitable and useful, as well as one of the commonest, of investments—mortgages on the security of the rates, loans to school boards and other local authorities.

This discovery caused consternation among those banks, like Glasgow, Manchester, and Hull, which had developed substantial special investment departments. Most of them found that they had unwittingly made illegal investments since the passing of the 1891 Act. They were reluctant to invest in fluctuating securities. The Inspection Committee, while strongly supporting the banks' request for immediate legislation, felt bound to call on those banks which had infringed the law to replace the illegal investments. Conferences and deputations followed, including a large deputation to the Chancellor of the Exchequer. Sir Albert Rollit followed this up by sponsoring Bills in the House of Commons in 1894 and again in 1895. Lord Macnaghten introduced a Bill in the House of Lords in 1895. None of these moves met with any official encouragement. The Government was not prepared to introduce or give facilities for legislation to help the special investment departments out of their difficulty; nor was the National Debt Office sympathetic.

The outlook for special investments was far from rosy. Glasgow and Manchester practically suspended operations under Section 16. Sheffield and Leicester decided to discontinue this class of business. Bradford had already abandoned it in view of the prohibition in the Act of investments on mortgage

[1] i.e. the rate payable to trustees; depositors would have received a maximum of 2¼ per cent., had this proposal been carried out.

of land. Stockton-on-Tees, Winchester, and Brighouse had closed. Fortunately there were a few banks determined not to give up this valuable work. Chief among them were Glasgow, Edinburgh, Perth, and Dundee in Scotland, Manchester, Preston, Hull, Leeds, and Huddersfield in England. Glasgow was the first to find a way out. The trustees decided in 1896 to transfer their special investment business to an Investment Trust, registered under the Companies Act, but conducted in association with the bank just like the old department before the 1891 Act. The move was very successful. By 1897 the Investment Trust had £641,500 to its credit and by 1900 no less than £1,868,806. The other Scottish banks might well have followed suit, but it so happened that an amendment to the Trustee Act for Scotland in 1898 made loans on the security of the rates permissible trustee investments in that country, though not in England. Aberdeen Savings Bank, which had no special investment department before 1901 and was debarred by the 1891 Act from opening one, followed Glasgow's lead and opened an Investment Trust in 1901.

Meanwhile the English banks, with the willing assistance of Sir Albert Rollit, were still pressing for an amendment of the law, not only in this respect but to facilitate other developments which the mood of reviving confidence now seemed to bring within the bounds of possibility.

The recovery of the Trustee Savings Banks from their last great crisis was a triumph for the voluntary principle. It had still greater triumphs ahead, not at the expense of but alongside the Post Office Savings Bank. That great institution was still growing fast. A hundred million pounds of depositors' balances had been recorded in 1896 and by the end of the century the figure exceeded £130 millions, apart from nearly £10 millions of government stock. Depositors already numbered over eight millions. Money was indeed pouring in so fast as to be almost an embarrassment. Particularly so was this with society money. Friendly societies were allowed to deposit without limit. But what of trade unions? The Post Office already held £500,000 of their funds, estimated to exceed £2 millions. The position was not very clear and the unions, supported by Mr. Howell, M.P., tried to get power to deposit without limit. The Government resisted, but was prepared to take the unions' provident funds;

it did not relish the idea of having custody of general funds which might be withdrawn for strike purposes. The growth of the unions and their more militant spirit following the successful strike for the 'dockers' tanner' increased the Government's hesitation. Eventually, in June 1894, a Government Bill was introduced to permit trade union provident funds only to be deposited without limit. It had a mixed reception, some Members wanting more, some less, than was provided for. No one was enthusiastic and the Bill was eventually withdrawn.

Chapter XV

ROLLIT'S ACT OF 1904

IN the sphere of finance the beginning of the twentieth century was dominated by two facts—the cost of the South African War and the impending conversion of the $2\frac{3}{4}$ per cent. Consols to $2\frac{1}{2}$ per cent. in 1903 under the Goschen scheme. How were these two facts, pulling in opposite directions, going to affect the level of interest rates? This was a question of prime importance to the savings banks, for a further reduction in the rate of interest payable to savings bank trustees and depositors had already been mooted. Sir Michael Hicks Beach, the Chancellor of the Exchequer, had more or less made up his mind that the only solution which would ensure the solvency of the two Savings Bank Funds was an immediate reduction of one-eighth per cent. in interest, combined with a provision for the future rate to fluctuate according to the yield of the Funds' investments.

The savings banks, on the other hand, were convinced that a reduction of the rate payable to depositors below the now-familiar $2\frac{1}{2}$ per cent. was to be resisted at all costs. Sixpence in the pound was a convenient figure both for the banks to calculate and the depositors to check. Moreover, a lower rate might tempt depositors to seek a higher yield with less security elsewhere.

The unfortunate fact, which the savings banks could not gainsay, was that, despite the reduction of the interest payable by the Debt Commissioners to the trustees from 3 to $2\frac{3}{4}$ per cent. in 1888, in only six of the twenty years since 1880 had the income of the Trustee Savings Bank Fund been sufficient to meet the expenditure and in each of the other fourteen years Parliament had been asked to make up a deficiency. Between 1876 and 1901 the net deficit made good by Parliament amounted to £503,615—not a large sum spread over so many years, but a constant source of irritation.[1]

In the same period the Post Office Savings Bank Fund had paid into the Exchequer a net surplus of £1,601,285, but that Fund was also showing a deficit towards the end of the century.

[1] For details see Appendix IV.

The fact was that the Trustee Savings Banks were still carrying the burden of the old savings bank deficiency which had caused so much heart-burning in Joseph Hume's day. This deficiency had arisen, as we have seen, partly from Parliament's deliberate policy in allowing the savings bank depositors an uneconomic rate of interest in early years in order to encourage thrift and also to some extent because the savings bank moneys had at times been invested and sold by the National Debt Commissioners in pursuance of state policy and not with the sole object of securing the best income for the Fund. Whatever the rights and wrongs of the matter, the straightforward way of dealing with a situation for which neither the banks nor the depositors were responsible would have been to make good the deficiency and give the Fund a fresh start. But successive Chancellors of the Exchequer had refused to go to the root of the trouble. Sir Stafford Northcote had taken the useful step in 1877 of providing against a further weakening of the Fund by enacting that any deficiency of annual income should in future be met by annual vote and any surplus be paid into the Exchequer. This, however, did nothing to remove the real reason for deficiencies of income, namely, the capital deficiency. In 1880 Mr. Gladstone determined to tackle the capital deficiency, now estimated, on a 3¼ per cent. basis, at about £3,500,000. Had he been prepared to make a capital grant of this amount to the Savings Bank Fund, the solvency of the Fund would have been assured; but he preferred to try to make the loss good by an annuity spread over twenty-seven years. His Act of 1880 provided for an annual charge on the Consolidated Fund of £83,673—until 1908. It was calculated that the securities purchased out of this grant and out of the accumulated interest on the annuity would be sufficient to wipe out the deficiency. The calculation depended, of course, on an estimate of the future prices of securities. No one can be blamed for not foreseeing the remarkable rise in prices during the next twenty years, as a result of which by 1901 the securities actually purchased were less than had been estimated by more than £200,000. But the important point from the savings bank angle was that, over this long period, the Fund never got the slightest benefit from the Exchequer grant, since the income on the securities was not released, but was accumulated towards the ultimate

liquidation of the deficiency. So the rather depressing series of deficits continued.

Probably very few people worried about the vote for the annual deficits so long as they were relatively small in amount. Since 1880 they had never exceeded £45,000 a year and the years 1889 and 1890 had together shown a surplus of £150,000. But the position of the Fund was bound to be more serious when interest on Consols came to be reduced by ¼ per cent. in 1903. If the rate of interest payable to trustees were unchanged and on the assumptions that the Fund would grow by half a million a year and that future investments would yield 2⅝ per cent., the deficits would then exceed £100,000 a year until 1908 and, even after that year, when the Fund would receive the full benefit of Gladstone's annuity, would probably be in the region of £85,000. Moreover, the deficiency in the Post Office Savings Bank was expected to range between £190,000 and £240,000 a year during the five years following 1903.

The assumption that future investments would only yield 2⅝ per cent. was certainly cautious, based as it was on the experience of the last five years of the century, when the price of 2¾ per cent. Consols had risen at times to 114 and had averaged over 110 for long periods. The South African War had changed all that, and by 1901 Consols stood at under 92. But no one could say with confidence that the steady fall in the level of interest rates which had characterized the last twenty years of the old century would not before long be resumed. In any event, nothing could prevent the substantial loss of income to the Trustee Savings Bank and Post Office Savings Bank Funds when the interest on Consols was reduced. For the former held about £20 millions of Consols and would suffer a loss of income of some £50,000 and the latter held over £65 millions and would lose about £180,000 of revenue.

The fluctuations in the price of Consols also affected the annual valuation of the Funds' assets. In 1897, with Consols at 113, the assets of the Trustee Savings Bank Fund at market prices showed a surplus over liabilities of £4,453,000, but by November 1901, when Consols stood at 91⅞, liabilities exceeded assets by £2,680,000 even when the value of the deficiency annuity was taken into account. This state of affairs disturbed some Members of Parliament, including Mr. Gibson Bowles,

who raised the question in the House of Commons. But it had a more curious and unexpected effect in Manchester. It seems that a local banker had been giving a lecture on economics to a working-class audience and had mentioned the effect of the fall in the price of Consols on the Savings Bank Fund. Either he was misunderstood by his audience or he omitted to explain that the fall in Consols did not in any way affect the security of deposits, which had the guarantee of the Consolidated Fund behind them. Alarm was aroused. Rumours spread that deposits in the Manchester and Salford Savings Bank were unsafe and a serious run on the bank followed. The situation was saved by the prompt support given to the savings bank by the Bank of England and the Debt Commissioners, but before the scare subsided £30,000 had been withdrawn.

Few things are more remarkable in the history of the savings banks than that the issue of the prolonged discussion arising from these unpromising conditions was not only the abandonment of the proposed reduction of interest, which had seemed almost inevitable, but the securing of a new Charter for the savings banks on which the remarkable progress of subsequent years was largely based.

The chief credit for this satisfactory and unexpected result undoubtedly belongs to Sir Albert Rollit. While the Chancellor of the Exchequer was still making up his mind how to tackle the question without suffering the rebuffs of so many of his predecessors, Sir Albert introduced a Bill on 14 July 1899 to amend the Savings Bank Acts. In this way he drew attention to some of the real handicaps under which the banks were operating. The chief objects of the Bill were to restore the power of trustees to make investments in loans on the security of rates, facilitate the amalgamation of savings banks, introduce proper superannuation provisions for savings bank staffs, and permit the payment of the expenses of penny banks. The Bill made no progress that session, but was introduced again the following year. Meanwhile, Sir Michael Hicks Beach had decided on his policy. The Government Bill, which was first introduced on 16 May 1900, sought to vest in the Treasury the power and duty of determining annually the rate of interest to be allowed to the trustees of savings banks and to Post Office Savings Bank depositors. Only one month's notice of any variation of rate

SIR ALBERT K. ROLLIT, M.P., LL.D., D.C.L.
(*Reproduced from the painting by Sir Hubert von Herkomer, R.A.*)

was to be given and the variations were to be by multiples of an eighth of a pound. Any surpluses were to be paid to a Reserve Account against depreciation of capital or future deficiencies of income, instead of being paid to the Exchequer. Moreover, the income from Gladstone's Deficiency Annuity was to be released for the benefit of the Trustee Savings Bank Fund and the annuity was to be extended to 1917 to compensate for the loss of capital thus caused. To placate the savings banks other clauses were included, embodying some of Sir Albert Rollit's proposals.

The reception to the proposal for a fluctuating rate of interest fixed by Treasury mandate was unfavourable both inside and outside the House. The Trustee Savings Banks Association had an active Sub-Committee, under the chairmanship of Mr. Tatham, a Manchester solicitor and Chairman of the Manchester and Salford Savings Bank, which kept Sir Albert Rollit in touch with the views of the banks and their depositors. Resolutions against a fluctuating rate of interest were passed and sent to Members of Parliament and occasion was also taken to press the Chancellor to include in his Bill the much-needed alteration in the powers of investment for special investment departments. The Chancellor's reply did not encourage much hope of action on these lines. It was then decided to urge that both Bills be referred to a Select Committee. To this the Chancellor agreed, though he did not actually take the necessary steps to appoint the Committee until April 1902.

This new Select Committee on Savings Bank Funds met between 22 April and 17 July 1902. The Chancellor of the Exchequer himself presided at all the meetings and he and Sir Albert Rollit dominated the proceedings. The seventeen Members included Mr. Bartley of the National Penny Bank, now less sympathetic to the Trustee Banks than of old, a few good friends of the savings banks including Sir A. N. Agnew, the Member for South Edinburgh, Mr. John Campbell and Mr. W. H. Holland of Rotherham, and a few critics, of whom the most outspoken was Sir Frederick Dixon-Hartland.

The terms of reference were 'to inquire into the general condition of both Savings Bank Funds in respect of their capital

and income accounts, and the authorized investments thereof, with special reference to the loss of income which will be incurred by the reduction of the rate of interest on Consols in 1903; and to report whether any administrative reforms are required in either class of savings banks'. The last sentence gave the banks the opportunity they wished, but this did not alter the fact that the financial condition of the Funds was the main question to be considered. What line were the savings bank witnesses to take?

It was not easy to put up a good case against a reduction of the rate of interest to depositors. One factor alone was in their favour, the fact that since 1901 it had been possible to invest savings bank moneys on more favourable terms. The Treasury had been borrowing at 3 per cent. for military and naval works and for certain other purposes such as the Uganda Railway, the Pacific cable and telegraph development; Local Loans Stock offering a similar yield had also been obtainable. The savings bank witnesses decided to argue that if the National Debt Commissioners' powers of investment were widened to include corporation and county stocks, colonial securities, India stocks, and most of the other trustee securities, a higher rate of interest could be gradually secured with perfect safety and the financial condition of the Fund restored to a self-supporting basis without any reduction in the rates payable to trustees or depositors. This argument, in support of which Sir Albert Rollit, Mr. Tatham, and others gave evidence, very nearly convinced the Committee. When the Report was considered in draft, six members were in favour of extending the field of investment and six against. The Chancellor of the Exchequer's casting vote from the chair against the proposal settled the issue. The Report, therefore, accepted the views put forward by the Civil Service witnesses and the Government broker that it was by no means certain that such an extension of powers of investment would have the favourable effect on the income of the Fund which was intended. It would give some of the trustee securities a sort of quasi-government guarantee in the public estimation which would tend to drive up the price at which they could be bought and so nearly equalize them in value to parliamentary securities. In any case, the State as banker (not trustee) was entitled to invest the money deposited as it chose and depositors

were not entitled to seek better terms than the best security in the world (the credit of the taxpayers of the United Kingdom) could command. The Committee

'cannot think it conducive to the public benefit that the amount held by the State on behalf of depositors in savings banks, already so vast as not to be without some risk to the credit of the country in the event of a grave national disaster, should be artificially increased by offering to depositors, at the expense of the taxpayers, a higher rate of interest than their deposits can earn without diminishing the security of the investments in which the money is placed. But even if they could recommend it, such an extension would clearly be inadequate to relieve the taxpayers from the loss, amounting in all to £1,864,563, which it is estimated they will suffer during the next six years; for unless a large sacrifice of capital were made, both on sale and on re-investment, the transfer of any large proportion of the £84,000,000 Consols now held on behalf of the Savings Bank Fund to other investments would be permanently and considerably below the amount required to pay the rate fixed by law.'

Anticipating that the Chancellor of the Exchequer and the majority of the Committee were unlikely to accept the arguments for extending the field of investment for the Savings Bank Funds, the savings bank witnesses also maintained that, even if the operation of the Funds for the time being resulted in annual deficits, such deficits were not of a size to cause concern; the State would be well repaid if a small subsidy to thrift helped to produce a more virile and self-reliant people. 'Savings banks have never been regarded as ordinary commercial undertakings', said Mr. Thomas Jaffrey, the actuary of the Aberdeen Savings Bank, whose enterprise and financial acumen had already won for him a great reputation in the north of Scotland. 'Their founders, prompted by philanthropic motives, never expected that they would pay their way directly; and the continuance of the policy which has guided the management of their funds by the State in the past is in perfect harmony with the spirit of modern legislation.' Mr. Jaffrey went on to make the suggestion that if the deficit were likely to be too large for the taxpayers to shoulder, those Trustee Banks which were accumulating surpluses might be willing to be taxed at so much per cent. of deposits to ensure that the rate to depositors was not disturbed.

The majority of the Committee, however, were satisfied that it was their duty to the taxpayers to put the Funds on a self-supporting basis. They accepted the Treasury view that this could only be accomplished by an immediate reduction of one-eighth per cent. in the rate of interest paid to Trustee Savings Banks and depositors in the Post Office Savings Bank. But though Sir Albert Rollit had failed to prevent this recommendation from being incorporated in the Report, he did obtain a decisive vote against a proposal for a quarter per cent. reduction and also against the principle of a fluctuating rate of interest liable to be raised or lowered on short notice at the discretion of the Treasury.

Had the Report stopped there, it could only have been regarded as another set-back to the savings banks, but Sir Albert Rollit's persistence secured the addition of most valuable clauses to the Chancellor's draft. The unanimous approval of the Select Committee was in this way obtained for a number of the reforms already mentioned for which the savings banks had been agitating for years and which Sir Albert himself had explained at length to the Committee in the course of his evidence. Of these the recommendations which were to be of the greatest importance in the future growth of the banks were, firstly, the removal of the restrictions in the 1891 Act which prevented banks from opening new special investment departments, though this concession was to be limited to banks open daily which had cash balances of not less than £200,000; secondly, the long-desired restoration of powers to invest special investment funds in loans on the security of local rates; and thirdly, the extension to Trustee Savings Banks of the simple machinery for facilitating amalgamations already possessed by friendly societies and industrial and provident societies.

These recommendations, however, were only of vital concern to the comparatively small group of people who were enthusiastic believers in the future of the old savings banks. But a large proportion of the population was keenly interested in the future rate of interest to be paid to Trustee Savings Bank and Post Office depositors. During the months following the Report of the Select Committee withdrawals considerably exceeded deposits and this was attributed by many to the unsettling effect of the proposed reduction in the rate. The eventual decision to leave

the rate untouched was probably due as much to chance as to deliberate policy. Sir Michael Hicks Beach, who had conducted the inquiry with great ability and fairness, was committed to the reduction of one-eighth per cent.; but he left the Government on Lord Salisbury's retirement later in 1902. His successor, Mr. Ritchie, went so far as to incorporate in the King's Speech at the beginning of the session a reference to the proposed reduction, but, during his short tenure of the Chancellorship of the Exchequer, he never introduced the expected Bill, and after announcing in August that he would do nothing that session, he too resigned. It was left to Mr. Austen Chamberlain to announce early in 1904 that the Government did not intend to alter the rate of interest. So ended the last attempt to reduce the rate of interest to savings bank depositors below 2½ per cent.

By 1909 the rise in interest rates once more made the Trustee Savings Bank Fund self-supporting. In no subsequent year was there a deficiency of income. On the contrary, the surplus paid annually into the Exchequer grew steadily and by 1920 had reached the total sum of the combined deficiencies voted by Parliament. Until 1934 the surplus income grew each year and reached £927,729 for that year alone. So much is the 'savings bank deficiency' a thing of the past that by 1943 the net financial benefit to the Exchequer from administering the funds of Trustee Savings Banks was no less than £11,314,801.[1]

This happy decision in 1904 enabled the banks to press for the other reforms advocated by the Select Committee without any risk of having to pay the price of a reduced rate of interest. Sir Albert Rollit tabled his revised Bill on 5 February 1904. The Chancellor of the Exchequer proved sympathetic and helpful. He introduced a number of amendments mainly designed to keep the Post Office Savings Bank in line with the Trustee Banks. With this support Sir Albert Rollit was able to guide the Bill through all its stages in the House of Commons without a division. In the Lords the Marquess of Salisbury himself took charge of it and it reached the Statute Book on 1 August 1904, to the great delight of the old banks.

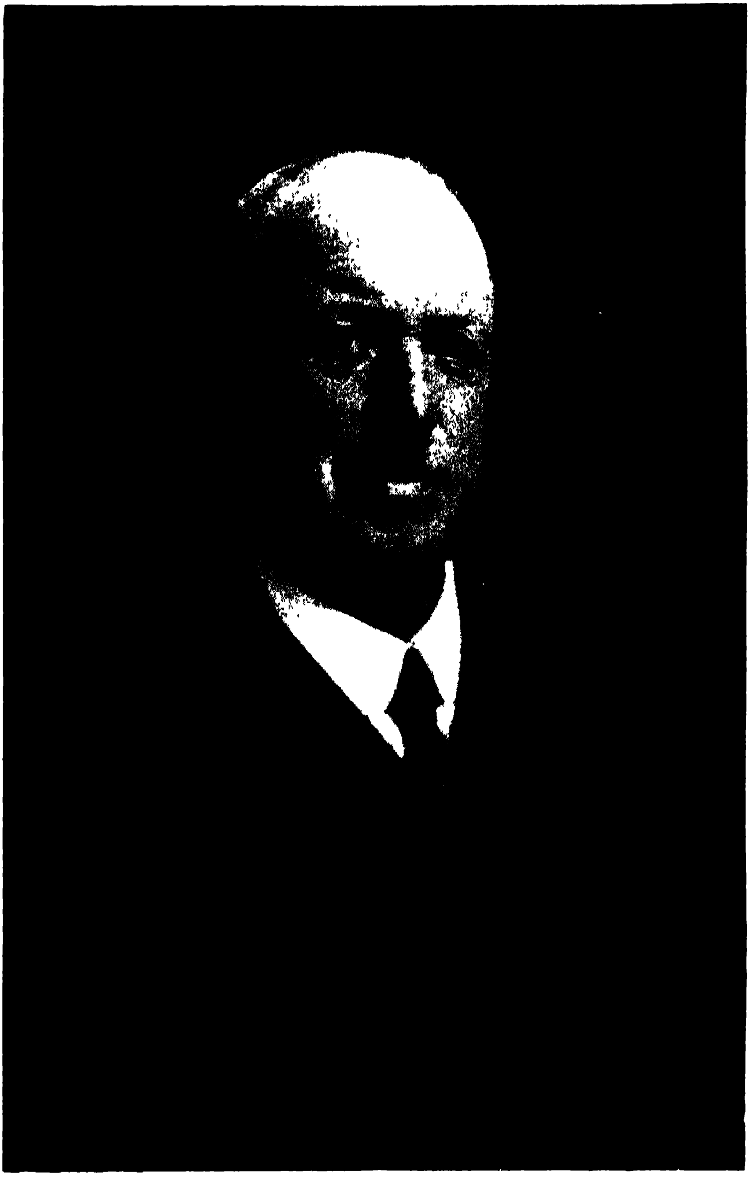
'Rollit's Act', as it was usually called, besides bringing about the alterations in the law relating to special investment departments and amalgamations of savings banks, to which reference

[1] See Appendix IV.

has been made, contained a number of other useful provisions. Superannuation of savings bank officers was legalized, property transactions concerned with the purchase and sale of savings bank offices were simplified, penny banks were encouraged by making it lawful to pay some of their expenses, and the irritating clause in the 1893 Act, providing for the automatic investment in government stock of sums standing to the credit of deposit accounts in excess of the statutory limit of £200, was revoked. Rollit had certainly earned the gratitude of the banks for his years of hard work and his tactful handling of the whole question in Parliament. The savings banks showed their gratitude by presenting him with his portrait by Sir Hubert von Herkomer, R.A. He continued to take a keen interest in the banks, as Chairman of the Inspection Committee, for another eighteen years, during which he travelled all over the country, opening new offices and speaking, often at great length, at savings bank functions; but his greatest service to the movement was undoubtedly rendered between the appointment of the Select Committee of 1889 and the passing of the Act of 1904.

Now was clearly the time for the Trustee Savings Banks to show enterprise in taking immediate advantage of this fortunate extension of their scope and so consolidate their claim to be an essential part of any comprehensive thrift service for the country. The outlook was more favourable than it had been for over half a century. In spite of increasing competition from outside, the surviving Trustee Banks were making good progress. Those which were open both in 1891 and 1903 had increased their accounts by 302,989 and their balances by £13,255,652 cash and £1,038,850 government stock in twelve years. Even allowing for the closing of the St. Martin's Place Bank and other smaller banks, the movement could boast a net increase during the period of some £10 millions.

Perhaps the most striking instance of progress during this period was that of the Aberdeen Savings Bank. It had been conducted quietly and honestly for nearly eighty years and by 1892 had accumulated some £492,965 of deposits. Its methods of conducting business, however, were hopelessly out of date. Depositors were ushered into a waiting-room and called one by one into the inner sanctum, where the actuary stood at his cash-



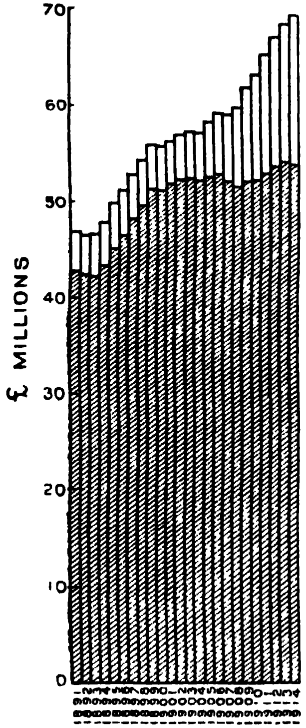
SIR THOMAS JAFFREY, BT., LL.D.
Actuary, Aberdeen Savings Bank, 1892–1925

till. The whole procedure was slow and inefficient and the office was in a side street—a practice often deliberately adopted in early days on the principle that people wished secrecy in their money transactions and accordingly did not like being seen going into a savings bank. There were no special investment department, government stock department, or branch offices. The possibility of closing the bank had even been mooted. Within a few years, the new actuary, Mr. Jaffrey, whose evidence before the 1903 Committee has been mentioned and who had received his training in the North of Scotland Bank, had introduced modern methods, built a fine new central Head Office, opened branches, started a stock department and an Investment Trust, introduced new publicity devices, and trained an active young staff to give a full service and helpful advice to all who entered the offices of the bank. By 1904 the funds had increased to £1,319,762; in other words, twelve years of enterprising management had nearly trebled the size of the bank.

The 1904 Act had not been long on the Statute Book before its effect could be seen in a great activity in reviving and establishing special investment departments. This was not surprising, for few statutory provisions had proved more irksome and discouraging than those in the 1891 Act, which fettered and cramped the promising growth of these departments. Now that the obstacle to investing in loans to local authorities on the security of the rates was removed, those special investment departments which had lain dormant for thirteen years or so at once awakened into new vigour. The permission given to savings banks with over £200,000 of cash deposits to start new special investment departments was taken advantage of by fifteen banks in 1905, five more in 1906, and by the end of 1908 thirty-six Trustee Banks were giving these facilities. The Glasgow Savings Bank, which had started an Investment Trust in order to escape the restrictions imposed in 1891, re-established its special investment department in 1904 and Aberdeen followed suit in 1909. Nearly all the large Trustee Savings Banks began to receive money for special investment. The most notable exceptions were Liverpool Savings Bank which, after abandoning in 1888 its short experiment in buying Liverpool Corporation Stock for its depositors, did not again make use of this section of

the 1863 Act until 1929; and Belfast Savings Bank, which waited until 1926 before acting in a similar way.

It was the low limits of deposit of £50 a year and £200 in all in the ordinary department rather than the prospect of a higher rate of interest which gave this impetus to special investment at this period. Depositors could seldom expect 3 per cent. on special investments; more generally the rate of interest was $2\frac{3}{4}$ and sometimes only $2\frac{1}{2}$ per cent.; but it soon became obvious, as many of the leading savings bank officers had foretold, that many people much preferred to deposit larger sums in the savings banks than invest in Consols or securities of a fluctuating nature, even though they gave a higher yield. Later on, after 1918, the position was reversed; the ability to pay a higher rate of interest than was allowed in the ordinary department came to be of immense value to the banks, while the extension or abolition of limits of deposit in the ordinary department removed the most powerful of the early incentives to the formation of investment departments. Meanwhile a valuable link was being forged between the local savings banks and the local authorities through the investment of these deposits, a development which was shortly to provide in many towns an effective answer to a demand for municipal banks. By the time of the outbreak of war in 1914 special investment departments were well established in forty-three of the leading Trustee Banks and the assets of £16,185,000 already included some £675,000 of reserves.



Graph showing Total Balances due to Depositors in Trustee Savings Banks, in Ordinary Department and Special Investment Department 1891–1914

Less importance was at first attached to the clause in the 1904 Act facilitating amalgamations. It was certainly thought that it might be useful in occasionally preventing a small savings bank from closing, but no one foresaw how it would eventually transform the whole structure of the old banks. The need for an alteration of the law was obvious enough. When the trustees of the Grimsby Savings Bank decided to amalgamate with the Hull Savings Bank in 1903, it was found that it was necessary to obtain the individual assent of each depositor at Grimsby to make an effective transfer of his balance to the amalgamated bank. Those unclaimed accounts for which no assent could be obtained had to be transferred to the Post Office, in order to comply with the 1863 Act.

This clumsy and unsatisfactory procedure was ended by the 1904 Act and a relatively simple method of amalgamation substituted. Even so, it was not until 1906 that the new simplified scheme was used. The 224 separate Trustee Banks were intensely proud of their individuality and the smaller banks were afraid of losing their identity in a larger unit. But some of them were finding it increasingly difficult to hold their own; many still could not offer a full-time savings service; propaganda was too expensive, and staffing difficult; depositors had no prospect of obtaining the special investment facilities now available to the larger and wealthier banks in the neighbourhood.

The Chester Savings Bank deserves the credit for being the first bank actively to pursue a policy of amalgamation under the 1904 Act and so unite in one bank a number of the smaller Trustee Banks in Cheshire and the Welsh border country. The amalgamation of the banks at Chester and Wrexham in 1906 was followed by union with Frodsham (1908), Knutsford (1909), Mold (1910), Ruthin and Nantwich (1911), and Sandbach (1912).

The Chester, Wrexham and District Savings Bank can hardly be called the first of the county or district savings banks. The Exeter Savings Bank had from very early days established a network of agencies throughout Devonshire and had shown how thrift in relatively small communities could be successfully promoted by the distinctive personal contact peculiar to Trustee Savings Banks with the aid of a strong and enterprising central

savings bank. The Savings Bank of Glasgow had given a lead since 1869 in the intensive development of a city through the establishment of branches. The first bank to attain county proportions as a result of amalgamations was at Perth, where the savings bank was now under the executive direction of the Barclays, father and son, who built up a very fine connexion in Perthshire. The Perth Savings Bank was one of the oldest in Scotland, established in 1815, and in 1839 had become certified as a Trustee Savings Bank under the Scottish Act of 1835. The same year it helped to establish two receiving agencies at Stanley and Methil and two branches at Coupar Angus and Blairgowrie. The following year saw a branch at Errol and shortly afterwards others at Crieff, Caputh, and Kincardine, as well as small receiving agencies in neighbouring villages, so that by 1847 the trustees could report that 'almost the whole of the towns of any importance in the county are now accommodated with branch offices and other localities participate in the advantages of this institution by the system of receiving agencies'. Although described as branches of the Perth Bank, the local institutions were, in fact, largely independent. The link with the bank at Perth would be regarded to-day as a weak one. The 'branch' merely banked the whole of its funds, except for till money, with the central bank and looked to Perth in a vague way for general advice and encouragement. Local trustees and managers were responsible for the conduct of each branch and, when the branch at Auchterarder suffered a severe loss in 1848 through the frauds of the local cashier, the Perth trustees were quick to point out that the Head Bank was absolved from any obligation to the Auchterarder depositors; it was only liable to repay to the local trustees the sums deposited with it for investment. This incident led to the appointment of a Perth Committee under the chairmanship of the Earl of Mansfield to make recommendations for the better administration of the branches. The recommendations seem to have been accepted with a good grace by the local trustees, but no attempt was made to forge a closer link between branch and central banks until 1894. In that year the Perth Board accepted a suggestion of the Inspection Committee that the local institutions should be brought entirely under the control of the Perth Head Office as real branch offices, and so for the first time

the sums due to the local depositors, amounting to some £170,000, were added to the Perth balances of £600,000. In 1897 an Auchterarder branch was re-established. This consolidation of the Savings Bank of the County and City of Perth was doubtless of the nature of a series of amalgamations, but clearly one which was on a different footing to the Chester amalgamations following the 1904 Act. The banks which allied themselves with Chester had not previously had any connexion with a central bank. It was really a breaking of new ground and was largely due to the energy and persuasiveness of the young Chester actuary, Mr. H. E. Crane. Mr. Crane was a real propagandist and one of the most familiar figures for almost thirty years at meetings of the Trustee Savings Banks Association. He contributed an eloquent appeal to his colleagues in 1910 to encourage and support further amalgamation in the interests of the strength and progress of the movement. He was also the first to initiate successfully a scheme of central publicity for the Trustee Banks and it was largely at his instance that the annual meetings of the Association first took on a wider character and combined business with social functions. The meeting at Chester in 1908 was the first of its kind and greatly helped the movement for co-operation between the banks, which did not fully mature for another twenty years or more.

Chester's example was followed by Taunton and Wells, which amalgamated in 1909 to make the nucleus of the Somerset and Wilts. Savings Bank. Leicester Savings Bank took over Melton Mowbray in 1910. Carlisle began an active campaign in the north-west counties; Alston, Maryport, and Workington joined Carlisle in 1911, Cockermouth, Keswick, Whitehaven, and Kirkby Lonsdale soon followed suit. In 1911 York began what was to be the biggest of all the series of amalgamations by joining with Beverley and Driffield. The small savings banks at Malton, Pontefract, Howden, Northallerton, and Thirsk acted on similar lines soon afterwards. The growth of the York County Savings Bank from a local institution with funds of some £300,000 to a leading Trustee Bank with over fifty branches and over £25 millions of funds, as a result of a vigorous policy of amalgamation and starting new branches, is one of the romances of the next thirty years.

The policy of opening new branches was being adopted with vigour by many other savings banks besides Glasgow and York. In 1900 the number of branches which the 230 Trustee Banks could boast was exactly 100. In 1914, although the independent savings banks had decreased to 196, mainly as a result of amalgamations, there were 141 branch banks and 42 local agencies. In England, Manchester and Hull still showed the greatest enterprise, but Liverpool made an important move by crossing the Mersey to start a branch in Birkenhead in 1903, just as Hull had crossed the Humber the same year to take Grimsby under its wing. By 1913 Aberdeen Savings Bank had six branches within the comparatively small area of the city and its environs. The small bank at Dunfermline showed great enterprise by extending to Crossgates, Inverkeithing, Rosyth, and New Mills between 1906 and 1913. Chester and Taunton found time to open several new branches as well as to pursue their amalgamation activities. Other banks which were active during the decade before 1914 were Edinburgh, Newcastle upon Tyne, Sheffield, Preston, and Falkirk. Their enterprise was in every case rewarded. It will be seen that the activity was mostly in Scotland and the north of England and the result was still further to emphasize that the heart of the Trustee Savings Bank Movement was in the north. The London banks had hardly begun the much-needed process of rationalization. The Bloomsbury Bank had absorbed the old bank at St. Clement Danes in 1907, but a half-hearted attempt to open a branch in Shepherd's Bush in 1907 failed two years later. One effect of the weakness of the movement in London and the Home Counties was a notable tendency for the Trustee Banks to be overlooked in government and civil service circles—a tendency which lingered for at least another generation.

Activity in the opening of new savings banks was confined to Scotland, faithful as ever to the old system. The opening of banks at Hamilton, Bathgate, Kilmarnock, and Ayr between 1905 and 1908 did something to compensate for the closing of the nine small banks which ceased to function during the first ten years of the century.

Scotland was still giving a better service in the matter of hours of opening. In 1906, 31 out of 60 Scottish Trustee Savings Banks were open for twenty hours or more in a week, whereas

in England only 34 out of 144 were up to this not very exacting level. Forty-four English savings banks were open two hours or less a week, but only 9 Scottish banks gave such an inadequate service. It is true that most of the banks which failed to provide reasonable banking hours were small and represented a small fraction of the funds of the movement, but this only illustrated the need for further rationalization and amalgamation.

Not all these years showed equally good results. It would seem that this was due less to the state of employment than to the rate of interest obtainable on government securities and other forms of investment and the intensity of outside competition. One form of competition which was felt spasmodically, particularly in the cities of the north, came from the municipalities which sought to enlist the aid of the small investor in raising the money required for local services. In 1900 some Local Authorities were borrowing small sums on mortgage at 3 per cent., subject to three months' notice of repayment, and three years later even better rates of interest were given on these loans. Sums as small as £10 were sometimes accepted and this naturally tempted savings bank depositors to withdraw their deposits for re-investment in this way.

About 1904 some of the joint-stock banks started savings departments, offering to receive on deposit sums from one shilling upwards. In Scotland there had always been a good deal of competition between the chartered and joint-stock banks and the savings banks for a certain type of middle-class customer who tended to transfer his custom from one to the other whenever an alteration in interest rates made such a move worth while. In England the competition had hitherto chiefly come from institutions like the Yorkshire Penny Bank and the National Penny Bank. But the opening of savings departments in joint-stock banks throughout the British Isles with the declared purpose of attracting the small saver was a new development. No doubt it had some effect both on the Trustee Banks and the Post Office Savings Bank, but the attitude of the majority of the Trustee Banks was summed up in the 1904 Report of the Trustee Savings Banks Association.

'It is conceivable that in some localities this new departure may be attended by a certain amount of success, but it ought not to be forgotten that before such business can pay the volume done must be

very large and would necessarily interfere considerably with the commercial and more profitable class of business done by these banks, consequently the Council do not feel that there is any occasion for anxiety on the part of well managed savings banks.'

Nor were other less reputable appeals to the small saver wanting during those years. The most flamboyant and disastrous of these was Farrow's 'People's Bank', opened with a great flourish of trumpets on 26 May 1904, and spreading with great rapidity within the next decade through branches and agencies to many parts of the British Isles, including such remote places as Londonderry, Limerick, and Orkney. Mr. Thomas Farrow had given prolonged evidence before a Select Committee on Money-lending in 1899 and had written several pamphlets denouncing the usurious practices of many money-lenders. He then announced his intention of founding a People's Bank on continental models, so that the savings of the people might be lent at reasonable rates of interest to those requiring loans. Deposits were invited at tempting rates of interest ranging up to 7 per cent. 'It has been too readily assumed', wrote the founder, 'by the controllers of the people's savings that the mere assurance of safety satisfies all needful requirements and that the depositor does not greatly concern himself over the question of dividends accruing from his investments.' Farrow's Bank, he asserted, would give at least twice the interest given by the Post Office. He even published a brochure accusing the Post Office of lack of enterprise and inefficiency. 'Poverty at the Post Office—Comfort at Farrow's Bank' was the slogan he gave to his shareholders in 1908. By 1910 he had attracted over half a million pounds of deposits, much of it from poor people. Home safes and automatic thrift machines were issued, motor banks toured the country districts, a gazette was published, a legal department started, a women's branch opened, a land bank established. It is needless to pursue the history of this venture to its final collapse in 1920 or to emphasize the misery caused to poor people all over the country who had lost their savings in this way. Many years after its failure there was evidence in some places that people had given up saving because of the losses sustained by them and their friends in this amazing concern.

Farrow's Bank was the first of the commercial banks to make use of the home safe. It was, however, the Trustee Savings Bank

at Belfast which introduced into the British Isles this popular aid to small saving. Money-boxes are, of course, almost as old as the use of coin as currency. Many ingenious, novel, and attractive money-boxes made of wood, tin, china, and other materials have adorned the mantelpieces of generations of thrifty householders and the ingenuity of the manufacturers in making it difficult to extract the coins has often been rivalled by the ingenuity of the younger members of the family in finding ways of defeating the makers' intentions. The American banks first thought of the idea of issuing bank money-boxes of a solid metal type of which the keys would be kept in the bank. The innovation caught on and news of this development was passed on in 1905 to Mr. John Sinclair, Chairman of the Belfast Savings Bank, by the Director of the Belfast Banking Company. Mr. Sinclair took up the idea with enthusiasm and after the financial and other aspects had been thoroughly studied by a Committee of his fellow trustees and estimates obtained, it was decided to experiment with a thousand home safes. The first of these were issued to depositors on 1 January 1906, and the whole issue was exhausted in about six months. The safes themselves were clumsy compared with their modern counterparts. Solid bronze contraptions, manufactured by the C. O. Burns Company of New York, 4¼ inches broad, 3¼ inches high, and 2 inches deep, with a handle and a single coin slot at the top of one side, they weighed about 1 lb. Within a very short time home safes had achieved amazing popularity and largely ousted the old money-box. At first they were rented at 1*s*. a year for four years, for the cost on an order for 1,000 worked out at about 4*s*. each, but before long most banks were lending them free to all who had a shilling or two in their savings account. By 1909 twenty-one Trustee Savings Banks were issuing home safes. In 1911 the Post Office Savings Bank followed suit, charging 3*s*. for the safes, 2*s*. of which was returnable when the safe was given up in good condition. The more attractive-looking home safes of the 'book' and 'recording' type issued within more recent years have helped to increase the popularity of these adjuncts to thrift. But the old solid type introduced by Belfast is still regarded with affection in many homes and the enterprise of the Belfast trustees deserves to be remembered.

The progress of Trustee Savings Banks during the first decade of the twentieth century can best be summed up in a table.

	Cash £000's	*Stock* £000's	*Total due to depositors* £000's
1901	Increase 529	Increase 293	Increase 822
1902	Increase 584	Increase 211	Increase 795
1903	Increase 125	Increase 208	Increase 333
1904	*Decrease* 64	Increase 163	Increase 99
1905	Increase 1,188	Increase 42	Increase 1,230
1906	Increase 1,131	Increase 44	Increase 1,175
1907	*Decrease* 180	Increase 103	*Decrease* 77
1908	Increase 678	*Decrease* 41	Increase 637
1909	Increase 2,041	Increase 51	Increase 2,092
1910	Increase 1,299	Increase 76	Increase 1,375

The increases and decreases are obtained by comparing the figures of 20 November of the year mentioned with those of the previous 20 November. The cash figures are the combined figures of ordinary and special investment departments. Actually the increase was almost all in the investment department. The ordinary department balances only increased from £51,456,000 in 1900 to £52,268,000 in 1910, an increase considerably less than the amount of interest credited in these ten years. The investment department, which showed an increase of less than £350,000 during the first four years of the century, at once responded to Rollit's Act and added over £6 millions between 1904 and 1910. By the end of the latter year £10,896,322 was due to special investment depositors.

The year 1905 was the first year in which cash balances increased by over £1 million and in 1909 the year's increase exceeded £2 millions. The total increase in government stock in ten years was about £1¼ millions but the removal of the provision for the automatic investment of excesses in the ordinary department, combined with the operation of the special investment department, slowed down the rate of increase after the first four years.

Besides showing the beginning of the real recovery of the Trustee Savings Banks after 1904 the table shows that there were two bad years for the savings banks, 1904 and 1907. The reason for the 1904 set-back has already been mentioned; the Glasgow trustees were 'of opinion that this falling off has been in great

measure caused by the disturbing effect of the proposals for legislation by Parliament to reduce the rate of interest and the depositors having believed that this reduction had actually taken place'.

1907 was another year of financial unsettlement. A sharp crisis in America led to the forcing up of the bank rate in this country to protect our reserves. For a short time in November the bank rate stood at the high figure of 7 per cent. Other rates moved in sympathy. The Scottish joint-stock banks were paying 4 per cent. on deposits. Government stock and other sound investments suffered heavy depreciation. The fall in value was so serious that the Caledonian Bank, which had operated for many years with success in the north of Scotland, sought greater security by amalgamation with the Bank of Scotland. To purchasers, on the other hand, government securities became unusually attractive. Although comparatively few savings bank depositors watched Stock Exchange prices with much interest, those who did so were generally the owners of the bigger balances, including the trustees of friendly and charitable societies, with the result that a good deal of money left the savings banks for investment elsewhere. It was also a period in which many people emigrated to Canada, particularly from Scotland. Those who did so were often the most thrifty and loyal savings bank depositors, who had accumulated through their savings accounts the funds which were to start them in their new enterprises overseas. If one adds to these special factors the continuance of the severe trade depression which was a feature of this period, the decline in deposits during 1907 is not a matter for surprise.

Taking the ten years as a whole, savings bank deposits (Post Office and Trustee combined) showed an increase of £40,606,000. This was a considerable falling off from the £75,875,000 increase of the previous decade. Such a slowing down cannot be attributed altogether to trade depression. Wages fell for a time after the turn of the century, but they kept well above the 1890 level and by 1910 or 1912 most of them were at least up to the 1900 figure and still rising. So that, although some wage-earners may have had for a time a reduced margin for saving and the number of those receiving indoor or outdoor relief was undoubtedly higher during these ten years, these factors alone do not seem sufficient to account for the fall

in savings bank figures. It is more likely that savings bank deposits were once again affected by the level of interest rates and the competition of other forms of thrift. The 2½ per cent., which was so attractive during the nineties when Consols were at their peak, became much less so as the century advanced. Societies and individuals who had an eye to the yield on their savings tended to look for alternative investments and kept smaller balances in their savings bank accounts. The competition of Local Authorities and joint-stock banks has already been mentioned. Some of these savings no doubt went to building societies, which added over £15 millions to their share capital and deposits in ten years. The share capital of co-operative societies increased by £4,272,000. More striking were the advances made by industrial assurance societies which, despite a good deal of criticism of cost of administration and lapsing of policies, were showing how much the working classes were prepared to pay to ensure a respectable funeral, provided collectors called regularly for the premiums. The industrial life funds more than doubled in the period, rising from £20,478,000 in 1900 to £45,872,000 in 1910, an increase of £25,394,000. Savings banks could not afford to pay collectors. A few experiments were made in voluntary house-to-house collections, notably the collecting savings banks sponsored in London by the Charity Organization Society and in Glasgow by the Social Service Society and Queen Margaret College Settlement—forerunners of the Street Savings Groups of the nineteen-forties—but these were comparatively small in their scope and results.

Forty million pounds, however, was after all a healthy addition to savings bank balances, even if it did not represent as much as would have been produced by compound interest at 2½ per cent. on the capital at the beginning of the century. Of the £40 millions, £33,340,000 was the share of the Post Office, which was still progressing at a far higher speed than the Trustee Savings Banks. Not only was the State Savings Bank enlisting support from the country districts, but it was now the only savings bank in some large cities, such as Birmingham and Bristol, and was establishing a strong hold in London and those populous southern counties in which the Trustee Banks had largely abdicated.

In many districts the two banks were to some extent competing against each other, but there was no real antagonism. The active Trustee Banks knew that they had little to fear from competition, so long as they could give ampler facilities for withdrawal, greater personal service and a rather higher rate of interest in their special investment departments. Transfers between Post Office and Trustee Savings Banks were already favouring the latter. The trustees and actuaries realized equally clearly that the Post Office Savings Bank was covering ground which they could not possibly cover and wished it well. There were occasions when the Trustee Savings Banks, still apt to be overlooked in official and government circles, thought that the Post Office Savings Bank was the 'spoilt child of the State', as one actuary put it. It was given exclusive privileges for receiving deposits of workmen's compensation money in 1907 and the following year the Public Trustee was authorized by Parliament to make deposits in the Post Office without regard to the ordinary limits. Such concessions no doubt resulted in very large deposits not available to the old banks and so accelerated its growth, but the figures of progress of this huge centralized institution effectively answered the less responsible criticism of Mr. Farrow and other critics of state enterprise. By 1911 the Post Office had nearly 8½ million active accounts, a fine record on the jubilee of Mr. Gladstone's great venture of 1861. In fifty years its beneficent work had made it a household word. It has provided a model for State Savings Banks throughout the world.

The Trustee Savings Banks' share of the £40 millions increase between 1900 and 1910 was about £7¼ millions—equal to about 13 per cent. The population had increased by some 3¾ millions or about 9 per cent., so the old savings banks could feel reasonably well satisfied. The most encouraging features were that £4 millions of the £7¼ millions had been added in the last three years and that the active accounts had risen by 200,000. In 1910 the Trustee Banks held £63,227,000 of cash and £2,670,000 of stock for 1,827,000 depositors. Women and children were the most numerous of the depositors, but the great majority of these were the wives, widows, and children of those wage-earners in whose interests the savings banks had carried on their work for a century. The low limits of deposit and the rising rate of

interest on other securities (Consols fell steadily from over par early in 1900 to under 80 at the end of 1910) could hardly tempt the wealthier members of the community to patronize the savings banks during these years. It is true that a large section of the wage-earners, particularly the unskilled labourers, was still little touched by savings bank activities. It was, however, extremely fortunate that the framework of a National Savings Movement was in good working order before the outbreak of a World War which called for unprecedented efforts by the small saver.

The Trustee Savings Banks did not fail to observe the year 1910 as the centenary of the opening of Dr. Duncan's Savings Bank at Ruthwell. This recognition of Dr. Duncan as the real founder of the movement was generously made at the instance of the Savings Bank at Edinburgh, the seat of the chief opposition to his claims nearly a hundred years earlier.[1] The actuary, Mr. Alexander Cargill, was a keen student of savings bank history and his articles on the celebration and the handsome centenary volume he subsequently compiled helped to make known to a wider circle the great work performed by Trustee Banks since Dr. Duncan's day. The Edinburgh trustees invited to a centenary conference and banquet not only representatives of the British savings banks but of those in the Dominions and in many countries in Europe and America. Many came from a distance, from the Savings Banks of Paris, Lyons, Bordeaux, Brussels, Amsterdam, Rotterdam, Neuchâtel, Sydney, Melbourne, Auckland, Philadelphia, Brooklyn, and New York; others sent messages. The death of King Edward VII, which occurred when the arrangements were far advanced, unfortunately prevented many well-known visitors from attending, including the Archbishop of Canterbury, Lord Rosebery, the Secretary for Scotland, and the Postmaster-General. Their places were taken by distinguished citizens of Edinburgh—the Lord Provost, the Lord Justice-Clerk of Scotland (Sir John Macdonald), Lord Salvesen of the Court of Session, the two Moderators of the Church of Scotland, Principal Whyte, and others. But once

[1] In 1946 the Edinburgh Savings Bank took a leading part in commemorating the centenary of Dr. Duncan's death by organizing a pilgrimage of representatives of British, Dominions, and European Savings Banks to Ruthwell.

again the limelight was on Sir Albert Rollit, whose accumulated knowledge of the history and structure of the old banks kept a distinguished company interested and amused for a long time. It certainly was, as the Archbishop of Canterbury suggested in his letter apologizing for his absence, 'one of the centenaries which certainly ought to be celebrated' if only to 'show our gratitude to the people who set us on the right way'. Lord Rosebery wrote: 'Let the spirit of Duncan of Ruthwell speak once more among us. For thrift is at the root of independence and self-respect, two vital principles in our national life, more especially in the life of an ambitious and aspiring people like ours.' This tribute to Dr. Duncan was heard by two of his great-granddaughters, present at the celebrations—one of whom, Mrs. Sophy Hall, had written an attractive short life of her distinguished ancestor. Even if savings banks, Trustee and Post Office, had not fulfilled all the ambitions of their promoters and supporters through the century, they had at least collected nearly £250 millions of small savings and laid sound foundations for the spectacular development of the National Savings Movement during the next decade and after.

Chapter XVI

THE FIRST WORLD WAR

THE year 1911, in which Trustee Savings Banks started on their second century with greatly improved prospects and the Post Office Savings Bank celebrated its jubilee, also saw the passing of the first National Insurance Act. Although no revolutionary change in the public attitude to thrift was apparent, there is no doubt that a big alteration in emphasis on the reasons for saving began to be noticed about this time. Throughout the first century thrift had been mainly advocated as the only alternative to the Poor Law. 'Save for your old age and escape the workhouse' was implied in most thrift propaganda. 'Put a little bit awa-a-y for the rainy day, for the sun won't always shine' was the advice given from the boards of the music hall. In sickness and unemployment the improvident must either look to the help of relations or neighbours or submit to the stern necessities of indoor relief or, at best, the subsistence allowance which would be given at home to those who performed a labour test. The feeling that any departure from this attitude would sap the spirit of independence had been strong ever since the Poor Law Commission of 1834 had pointed out the dangers of a Speenhamland system. So the Betty Higdens had continued to find ways of evading the relieving officer and hundreds of thousands had saved small sums through the savings banks or paid their contributions to friendly societies, trade unions, and industrial assurance societies to tide over short periods of adversity or avoid a pauper's burial. It was a hard and rather joyless motive for providence. It was, moreover, manifestly impossible for most of the wage-earners to save sufficient to provide adequately out of their wages for prolonged unemployment or for the years of retirement. And there was more than a suspicion that some of those who talked most loudly about the need for inculcating a spirit of independence were really concerned to keep the poor rate and national taxation at the lowest possible level, in the belief, no doubt, that this was in the best interests of the country as a whole.

The widespread belief that a change in the attitude of the State to the relief of poverty was overdue undoubtedly contributed to the Liberal Party's triumph in 1906. The new Government did not, it is true, subscribe to the doctrine of the break-up of the Poor Law advocated by the Sidney Webbs, but a mild experiment in the state feeding of schoolchildren in 1906 was followed by the first Old Age Pensions Act of 1908, which in the course of four or five years produced a million state pensioners receiving a maximum of 5*s*. a week. Now in 1911 the insurance principle was to be tried out in cases of sickness and, to a very limited extent, in cases of unemployment. Genuine forebodings were often difficult to distinguish from Party recriminations. 'There never was a less promising outlook for thrift', wrote Lord Rosebery to the Edinburgh Savings Bank in June 1910. 'Grinding taxation and a total disregard for economy in public affairs offer nothing but discouragement for thrift. Moreover, everything points to further burdens and nothing to any spirit of saving or retrenchment. In private life, too, luxury and the passion for pleasure disdain thrift.'

There were naturally Jeremiahs to be found in the ranks of savings bank trustees and actuaries. Mr. Alexander Cargill of Edinburgh, for instance, suggested that the motto for the new philosophy was 'Take no thought of to-morrow for I, the State, will provide'. 'Will this new and untried scheme of Old Age Pensions', he asked, 'discourage those good old habits of thrift which our forefathers practised with so much patience and endeavour?' He gave no direct answer, but his apprehensions were made clear enough. 'Take away that chief spur to all thrift—provision for the rainy day—whatever form it takes and whether it comes before or not till the age of sixty-five or seventy, and you will expose the national as well as the individual life and character to a crowd of influences which, even under the best conditions, are prone to be hurtful.' He suggested that the contributory principle should be introduced into the Old Age Pensions system, for the working classes were better off than ever before. They owned nearly £400 millions of capital through their various thrift agencies and the average wealth per head of population, which had grown from £220 in 1872 to £320 in 1908, was the highest in any country in the world. Like Lord Rosebery, he bewailed the increased spending proclivity of the

people on drink and amusements. As for Socialism, it was incompatible with thrift. 'A socialist is a person who has no savings bank account, but would like one gifted, say by the State.'

Mr. Cargill's views must not be taken as representative of the general attitude of the savings banks of that day to an extension of social services. There was, indeed, a change in the leaders of the movement about this time. Rollit and Cameron still retained their influence at the helm of the Inspection Committee (the former was a strong advocate in Parliament of Old Age Pensions), but those who had directed the policy of the banks through their own Association during the last generation were now giving way to new-comers who were not alarmed at the new development. Mr. Leonard Tatham, the Chairman of the Manchester Savings Bank, who had guided the Trustee Savings Banks Association since its formation in 1887, retired in 1912. Mr. W. P. Park, his successor as Chairman of the Association, a member of one of the best-known Preston families, whose service to the savings bank movement was even longer, resigned from the chairmanship in 1915. Among the actuaries, Stewart of Manchester retired in 1911, after seventeen years' service as honorary secretary of the Trustee Savings Banks Association. Roper of Preston had died in 1908 after eighteen years as an honorary official of the same Association. Fullerton of Hull, a sturdy Yorkshire individualist, who had done much to build up the Hull Savings Bank and believed as strongly in co-operation within the savings bank movement as in independence from outside interference, celebrated his jubilee as a savings bank official in 1912. Jaffrey was still in his prime at Aberdeen and other young actuaries whose views on general as distinct from local problems were beginning to be listened to included Crane of Chester, Barclay of Perth, Mallaband of Sheffield, and Anderson of Preston.

'I am not at all opposed to State action,' said Mr. Jaffrey in 1910, 'but what I fear is that an overweening and exclusive dependence upon State action for social betterment may weaken, and eventually destroy, all social efforts of an individual voluntary character.' He noted, however, that State Old Age Pensions had not had a demoralizing effect in Denmark. Whatever the fears might have been in this country, the savings banks

had not so far suffered from the operation of the Old Age Pensions Act. Some said they had materially benefited. As for state insurance, 'We may have to admit with sorrow that compulsory thrift is after all preferable to no thrift at all.' Summing up his review of recent developments, Mr. Jaffrey said:

'To the Savings Banks have come the hard-won earnings of depositors who have scraped and saved to ward off the terrors hitherto incident to the common life of the common people; but even were the State to destroy for ever, as seems its present intention, the worst of those terrors, the incentive to save would not, in my opinion, be diminished, but would, on the other hand, be very sensibly increased, for it is not to be supposed that the better part of life consists in a mere struggle for bread to eat. But this larger, fuller life which we wish for all is yet far off, and the struggle of the majority to procure a mere existence must remain with us as a social problem for generations to come.'

This more hopeful and statesmanlike outlook received support the following year in a 'Note on the probable stimulus to thrift which the operation of the National Insurance Bill would effect', which was embodied in the Association's Minute Book. It was drawn up by Mr. W. A. Barclay of Perth and seems to have met with a good deal of support.

'It might be supposed that with the advent of old age pensions, and the promise very shortly of a wide measure of insurance against sickness and unemployment, a blow would be struck at the principle of independent saving. Some might even think that a premium is being placed on improvidence by thus supplying the needs of the thriftless. A little serious reflection, however, will convince anyone that these new measures will have the very opposite effect.

'The fundamental cause of much of the thriftlessness and shiftlessness which undoubtedly exist among large sections of the population is the utter hopelessness in which many of them live, and it is pretty well certain that the measure which it is now contemplated to place upon the Statute-book, after careful revision and modification, will go far to counteract this baneful state of affairs.

'The chief virtue of the Bill is that it will give assurance to every man that, so far as the necessities of existence are concerned, they are his for life, and the feeling of security thus engendered will have the effect of causing large numbers of men to enter the ranks of the industrious as contented and self-respecting citizens, instead of drifting

into the improvident class, as many of them do at present. These men, with a new hope in their lives, will become a strength instead of a menace and weakness to the State, a priceless asset instead of a burden and a charge.

'A new and very general desire will arise among men to augment the State allowance, which is theirs in certain emergencies, by some extra effort of their own, for they will have the State's assurance that sickness and unemployment, the grim spectres which have hitherto confronted the working man, will not rob them of a penny of their savings.

'This view is supported by the well-attested circumstance that large numbers of savings bank depositors are drawn from the membership of Friendly Societies. It is, therefore, quite a reasonable inference to conclude that, as the thrift habit fostered by the Friendly Societies induces men to increase their benefits by opening accounts in the legalised banks for saving, so it may be taken that the healthy influence upon the people as a whole following the expansion of the Friendly Society principle embodied in the Bill will have a similar beneficial effect.'

The following years showed that this optimism was justified. This was the common testimony of savings bank officials who, through their close contacts with the individual depositors, were in the best position to judge. The figures also support this view. The cash balances due to depositors rose steadily during the years before the outbreak of war.

	Trustee Savings Banks	*Post Office Savings Bank*	*Total*
	£000	£000	£000
1911	65,237	176,518	241,755
1912	67,198	182,104	249,302
1913	68,620	187,248	255,868
1914	69,522	190,533	260,055

The years were not particularly favourable to thrift. The year 1910 saw the great crash of the Charing Cross Bank, which, despite the criticisms of *Truth*, had managed to impose on about 2,500 depositors and to lose many hundreds of thousands of pounds of working-class savings. In the following year was the national coal strike and the violent political agitations over the Parliament Act. Home Rule, votes for women, together with the increasingly threatening international outlook, disturbing

to the sensitive financial machine, were discouraging features to set against improved trade and better wages.

Interest rates were steadily rising, owing mainly to the increasing needs of the State for capital for defence, Irish Land Purchase, and other commitments. The 2½ per cent. offered by the savings banks was no longer as attractive as of old. The larger banks were able to meet this situation to some extent through their investment departments and by 1913 seventeen of the thirty-seven banks operating these departments had raised their rate to depositors to 3 per cent. It was not only the rate of interest which made the special investment department so attractive. It was the fact that its deposits were not liable to capital depreciation, but would be repaid pound for pound. Investors in Consols had too often a sorry tale to tell. Many had invested small sums towards the end of the previous century when 3 per cent. Consols were at par and now not only found the interest reduced from 3 to 2¾ and then to 2½ per cent., but perhaps a quarter or a third of their capital gone. By the beginning of 1913 Consols stood at 75 and during 1914 they fell at one time to 69¼. The old provision under which they could be redeemed at par on one year's notice no longer applied. This caused considerable concern to the savings banks, who had been officially encouraged to urge their depositors to invest in government securities when they had reached the limit of £200 in cash deposits. There was a good deal of discussion but no remedy was suggested except to concentrate more on developing special investment departments and so remove from the small investor this risk of loss of capital he could ill afford.

Sir Albert Rollit did indeed suggest in the course of a long letter to *The Times* on 5 April 1911, that the Government might keep the price of Consols more steady and so increase their popularity and marketability by 'judicious applications of Sinking Fund and other moneys under their control', but nothing was done and, until the issue of the War Loans of 1914 to 1917, government securities were little sought after by the small capitalist. The net increase of Trustee Savings Bank holdings of government stock between 1911 and 1914 was only £40,000.

Fortunately, neither market fluctuations nor the political,

industrial, or international unsettlement of these years caused any serious loss of confidence in the Government or in the savings banks. The only instance of temporary loss of confidence which is recorded during the years under review was at Leicester on the eve of the strike of 1912. A run on the Leicester Savings Bank resulted in £20,000 being withdrawn in two days—a large sum in those times. It seems that some person or persons had started a rumour that the fall in the price of Consols in the national emergency endangered savings bank deposits and it needed a reassuring telegram from London to stop the 'run'. The trustees at Leicester offered a reward for information as to the source of the rumour but without success.

Strikes and lock-outs were, after all, familiar in most districts, but no one had any idea what would be the reaction of the public to a major international conflagration. Everything therefore contributed to make August 1914 an exceptionally severe test of the small saver and of the stability of savings bank deposits. From the beginning it was obvious that the world was entering upon a struggle of far greater dimensions and cost than any it had known. The effect of the war on finance could not be judged, but the raising of the bank rate, which reached 10 per cent. on 1 August, the proclamation of a moratorium, the extension of the Bank Holiday from the usual Monday, to Thursday, 6 August, showed that the position was regarded seriously in government and banking circles, despite the reassuring statements and appeals in the Press.

When the savings banks re-opened on Friday, 7 August, they were prepared for a substantial 'run' and had taken such steps as they could to meet it. To allay the anxieties of any depositors who were alarmed at the references to a 'moratorium'—strange and unfamiliar word—and who did not know that the First General Postponement of Payments Proclamation of 6 August specifically exempted 'any payment in respect of the withdrawal of a deposit by a depositor in a Trustee Savings Bank', notices from the National Debt Commissioners confirming the safety and availability of deposits were prominently displayed. As for currency, the treasury notes of £1 and 10*s*. had been sanctioned by the Currency and Bank Notes Act of 6 August, and postal orders had been made legal tender and remained so for six

months. But gold was in short supply nor was it easy in some places at first to obtain substitutes in sufficient quantities to meet anticipated demands. Some banks accordingly had to ration their customers by limiting withdrawals to a certain sum until Treasury notes became available. In this respect the banks in Scotland and Ireland were at some advantage, for the people of those countries had for long been accustomed to the £1 notes of the Scottish and Irish banks and had full confidence in them even before they were made legal tender for any amount in their respective countries by the same Proclamation of 6 August.

Allowing for the fact that no one had been able to draw money for six days and many had very good reasons for wanting a little more cash in the house in a time of emergency, the critical day passed off without serious difficulty. There were queues at the doors of a number of savings banks, but there was no panic and comparatively little nervousness. Most depositors readily agreed to limit their withdrawals to reasonably small sums to meet current requirements. There was, too, as usual, the very patriotic depositor who came ostentatiously to pay in substantial sums so as to show any chicken-hearted citizens the folly of their ways. It is recorded that when the rush was at its height at Hull Savings Bank, a woman pushed her way to the counter, carrying a satchel. Making sure that everyone was watching, she poured out from the satchel on to the counter £300 in gold. 'I want to put this where it is safe', she said in a loud voice. Nervousness could hardly survive a sight like that.

Although a good deal of money was withdrawn during August, the banks could congratulate themselves on having emerged from their greatest test with little disturbance. The confidence of depositors had never been in doubt. August is a month in which withdrawals often exceed deposits in a normal year. The Post Office Savings Bank certainly paid out the substantial sum of £2,500,000 in August 1914, but this was not alarming in an organization holding £190 millions of money at call. In the Savings Bank of Glasgow the excess of withdrawals over deposits during the month was just over £150,000 as compared with about £2,000 in a normal August. In the Liverpool Savings Bank from 1 to 15 August the excess of withdrawals amounted to about £90,000. In Aberdeen during the week of the crisis deposits were half and withdrawals

double the corresponding figures for the same week of 1913. The daily record at Aberdeen may be taken as typical of the general reaction of the public.

Saturday, 1 August .	deposits	£836,	withdrawals	£1,779
Friday, 7 August .	"	£1,880,	"	£14,925
Saturday, 8 August .	"	£721,	"	£1,931
Monday, 10 August .	"	£1,945,	"	£3,127
Tuesday, 11 August .	"	£789,	"	£1,010
Wednesday, 12 August .	"	£1,008,	"	£1,246

Only on the Friday following the long Bank Holiday was the situation at all difficult. By the middle of the month normal conditions were restored. Some of the withdrawn money (easily identifiable) began to come back to the banks. Figures already quoted show that, during the year ended 20 November 1914, the cash deposits in Trustee Savings Banks had increased by over £900,000 and those in the Post Office by £3½ millions. In the greatest crisis which had yet faced the savings banks, the small saver had not faltered nor had the machinery broken down.

It was some time before the policy of the Treasury on financing war expenditure became apparent. The £350 millions 3½ per cent. War Loan of November 1914 was indeed the biggest single loan in the nation's history, but it was issued on orthodox terms and without very strenuous attempts to court the small investor. Indeed, it met with little response from the public and a large part was taken up by the Bank of England. The loan was issued at 95 and this showed that the cost of government borrowing was rapidly rising. The question which was becoming vital to the savings banks was whether the Government was prepared to seek their aid in raising money from the small saver through their well-known and well-tried machinery, or whether a policy of offering new attractions in the shape of loans at high rates of interest would leave them high and dry.

If savings bank deposits were to be one of the recognized methods of war finance, two questions required consideration. Limits of deposit must be removed or, at least, greatly extended, and the rate of interest must be kept in some sort of relation to the rapidly rising rates on other forms of investment. It was not until the war had lasted for over six months that the part the small saver would have to play began to be appreciated. By the spring of 1915 the probable duration and cost of the war

was seen in clearer perspective. The absorption of the unemployed into war industries and the consequent rise in the national income was driving up both prices and wages. Supplies were becoming scarcer. These tendencies became more pronounced each month, particularly after Mr. Lloyd George began his campaign for increased production at the Ministry of Munitions in May 1915. The danger of severe inflation was apprehended, but the means of controlling it were only partly understood and half-heartedly applied. Neither in the severity of taxation, the propaganda for national saving, nor the control of prices did the 1915 Budget suggest that the urgency of the financial position was appreciated.

An analysis of the method of financing the 1914–18 War would go far beyond the bounds of a history of savings banks and it is only possible to sketch here the main developments which affected small savings and the attitude of the Trustee Savings Banks to the various important decisions which during the next three or four years were to revolutionize the savings movement in the United Kingdom.

It was natural that the first efforts of the banks were directed to the increase of limits of deposit. A change was long overdue. Since 1893, when the amount which could be received from a depositor during a year was fixed at £50, wages had risen considerably and war conditions were pushing up wages and overtime payments to a level hitherto undreamt of. The total limit of £200 for a personal savings bank account was even more grossly out of touch with the new conditions. But the new feature which was threatening to cause an acute crisis, if existing limits were retained, was the appeal to the small as well as the large saver to invest in government loans. The appeal was to patriotism, but also to self-interest, for the yield on the loans was much larger than that on deposits. If the Government were to insist on taking more water out of the reservoir for their own purposes but were at the same time to restrict the inflow to a mere trickle, it was clear that the reservoir would soon run dry or at least be a poor standby in a prolonged drought.

Mr. John Mallaband, the actuary of the Sheffield Savings Bank, whose shrewd Yorkshire common sense and long experience of savings bank problems were invaluable to the Trustee Banks during these war years, wrote a personal letter

to Mr. Lloyd George on 10 May 1915. He pointed out that the average working man infinitely preferred a 2½ per cent. deposit to a 3½ per cent. stock. Full use was not being made of the Post Office and Trustee Savings Banks. He could speak from experience of the prejudicial effect of the present restrictions. If these were removed, there would be a ready response to an appeal to savings bank depositors to invest with the Government. Mr. Mallaband's appeal was wholeheartedly endorsed by the Council of the Trustee Savings Banks Association a few weeks later.

Mr. Reginald McKenna had meanwhile become Chancellor of the Exchequer and on 28 May he was urged to extend both annual and total limits of deposit.

> 'The refusal of deposits has become so marked a feature of the daily experience of Savings Banks generally that this Association considers it a duty to make an earnest appeal for the removal of the restrictions which are so seriously crippling the usefulness of their work. The Post Office and Trustee Savings Banks are practically the only channels through which the savings of the working classes can be invested with the Government and so placed at the service of the nation. In the judgment of the Association the removal of the limits of deposit would be more appreciated than any means which might be taken to facilitate investment in War Stock.'

Less than a month after this letter had been sent came the second War Loan. The Government decided to raise £600 millions. The size of the loan was staggering, but equally alarming was the fact that in little more than six months the cost of borrowing had risen from 3½ to 4½ per cent. It was no wonder that many savings bank depositors decided to accept the extra 2 per cent. which the State was offering them. Money began to flow out of the Post Office and Trustee Savings Banks. At 20 November 1915, the ordinary department balances in Trustee Savings Banks had decreased by £2½ millions, notwithstanding the annual addition of interest, and the holdings of government stock for these depositors had increased by £3,617,000. In the Post Office the cash balances decreased during 1915 by over £4 millions. Small holdings of government stock on the Post Office Register had risen by over £28 millions, more than the total amount held on the Register at the beginning of the year. The Government was paying 4½

per cent. for many millions which were already at its service in the form of savings bank deposits at 2¾ per cent., and which, although repayable on demand, had been proved to be exceptionally stable.

Mr. McKenna recognized from the first that one of his most urgent tasks was to enlist the whole-hearted support of the workers to war finance, and that questions such as limits of deposit in savings banks were ripe for reconsideration. Once his immediate financial worries were met by the success of the 4½ per cent. loan, he immediately set on foot inquiries as to the best way of appealing for this support. His first notion was that £1 War Loan Bonds of three years' duration bearing interest at 5 per cent. per annum after the first six months might prove attractive. He invited views on the suggestion. Many replies, critical and constructive, were received. Mr. Jaffrey of Aberdeen was outspoken in his criticism of the proposed bonds. The 5 per cent. interest was no doubt intended to tempt the small investor, but the absence of any interest for the first six months was an almost fatal objection to those accustomed to get interest at once for money on deposit. The effective rate would only be 2½ per cent. for the first year and 4⅛ per cent. for the whole period—not attractive terms compared with those obtainable elsewhere on good security. If savings bank limits of deposit were greatly extended or, better still, abolished altogether, and the rate of interest offered to savings bank depositors was increased to 3½ per cent., as much or more money would be raised at less cost to the State. Mr. Jaffrey was well aware that the Treasury opposition to this method of financing the war was grounded on the conviction that deposits, as 'call money', were less desirable and more hazardous than 'investments'. With long experience in savings bank affairs, he contested this.

'There is no more settled fact in the experience of Savings Banks than this—that a deposit or an investment—it does not matter which—once made by the average depositor is a deposit or an investment made for good. This feature of permanency is founded neither on lack of intelligence nor on a lack of a true conception of self-interest, but is based on the ground of long habit accentuated by a rooted unconcern towards financial affairs. This fact is borne out by past experience which, as regards this point, is writ large in

the history of the Banks and which obliges me to conclude that even in a crisis of exceptional magnitude only a very small proportion of the entire funds in the hands of the Government is uplifted by small depositors.'

The soundness of Mr. Jaffrey's views was not fully admitted for another quarter of a century. It is true that the sums withdrawn from savings banks in the course of any year are considerable. Much money is paid out on the death of depositors or their removal to other districts, withdrawals for holidays and at Christmas and New Year, for the purchase of houses and small businesses and for many other purposes which are a normal feature of day-to-day business. But the great majority of savings bank depositors do not like to see their savings bank balances decrease; they are always trying to build up their accounts; and so it happens that, unless they are tempted by the offer of high interest rates elsewhere or induced to act otherwise by intensive government propaganda, they seldom fail, as a body, to increase their assets year by year. Fears of the instability of savings bank deposits have always been disproved by experience.

Meanwhile, Mr. McKenna wisely decided that the diverse opinions should be sifted by a Committee. The Rt. Hon. Edwin S. Montagu, M.P., Chancellor of the Duchy of Lancaster, who had served a term as Financial Secretary to the Treasury, was appointed Chairman of a strong Committee, whose members included Lord Cunliffe and Sir John Bradbury representing the bankers, Mr. Stanley Baldwin, M.P., Sir Halford Mackinder, M.P., Sir Christopher Needham, M.P., Cecil Harmsworth, M.P., and Sir Frank Goldstone, M.P. The Trustee Savings Banks were not overlooked, for Mr. Alexander Cargill, whose service in Edinburgh has already been mentioned, accepted an invitation to serve.

The Montagu Committee held its first meetings early in December 1915, and before the end of the year was able to issue an interim report unanimously recommending the total abolition during the war and for six months thereafter of all restrictions on the amount which could be deposited in the savings banks. Mr. McKenna acted immediately and an Order embodying the recommendation was issued on 31 December 1915. Thus within the space of a few weeks one of the greatest

and most far-reaching changes in the history of savings banks was carried through unopposed and with little comment. The irksome restrictions which had hampered the development of the banks for a century and more, particularly during the preceding generation, were swept away by a stroke of the pen. It is true that an annual limit was reimposed after the war, but the total limit of deposit was not reintroduced[1] and the figure of £500 which was eventually fixed as the annual limit was one which the savings banks themselves had never dared to suggest in the days of their earlier agitations. The full effects were not felt for some time, for the concession did not reflect any change in the general attitude of the Treasury, which was still to discourage deposits at call in favour of longer term investments at comparatively high yields. This policy was on the whole supported by the Montagu Committee. It began by recommending the issue of small denominations of Exchequer bonds to be placed on sale at all Post Offices. Two series of these bonds, of which the smallest unit was £5, were on sale in 1916, bearing interest at 5 and 6 per cent. Some £44 millions was raised in this way.

Four weeks later, on 26 January 1916, the Committee issued its final Report. It was an historic document, for out of its brief recommendations arose the nation-wide War Savings Movement and the Savings Certificates which were to become so popular a security for rich and poor alike. The Report was short. The needs of the small investor were accurately and simply stated. He wanted a security whose capital value would not depreciate. He must have easy facilities for withdrawal. He should feel that he was earning as much money as the large investor. The first two conditions had, in fact, been the basis on which the savings banks had built up the country's small savings. The third had been the principle which had guided Parliament in the early years of savings banks. The view put before his colleagues on the Committee by Mr. Cargill was that all three conditions could be satisfied if savings bank deposits could be accepted at higher rates of interest. This was the opinion of most of the Trustee Savings Banks, though there was not sufficient prospect of unanimity in matters of detail to

[1] A total limit of deposit was restored on 1 Jan. 1946. The figure was fixed at £2,000.

enable them to frame an agreed memorandum in the few weeks before the Report was issued. The Montagu Committee rejected the suggestion.[1]

'Although 2½ per cent. might appear to be a low return upon money payable on demand under the conditions of the present moment, it must be remembered that institutions such as the Savings Banks cannot adjust their rates from time to time according to prevailing market conditions, but must adopt a rate which, taking one period with another, will preserve its financial stability. The experience of the past has shown that 2½ per cent. is fully as high a rate as the State can afford to pay under these conditions, and having regard to the fact that Savings Bank depositors as a class look to the safety and accessibility of their capital much more than to the interest paid, we do not think that a case has been made out for increasing it. We are confirmed in this conclusion by the consideration that, even if the policy of increasing the rate resulted in large new deposits, the possibility of large withdrawals after the war might be a serious embarrassment to public finance; and though we think that the right to withdraw on demand is essential to the popularity of any scheme for attracting working-class savings, we consider that the exercise of the right should be discouraged by making the terms of withdrawal before the end of a fixed period less attractive than those of continuing the deposit to the end of the period.'

They therefore recommended the issue of a new form of government security. Small sums were to be accumulated until they reached 15*s*. 6*d*., when 'War Savings Deposits', or War Savings Certificates, as they were called when first launched on 19 February 1916, would be issued, entitling the holder to receive £1 at the end of five years. This was equivalent to 5 per cent. compound interest and this new feature of accumulating interest, which could only be obtained on the sale or redemption of the security, made it inevitable that the security should be tax free. The Committee recognized that a tax-free investment at 5 per cent. would make a great appeal to people in the higher income ranges and so proposed that purchase of the certificates should be confined to those whose total income did not exceed £300 a year. It soon proved, however, that it was not possible in practice to apply such a means test satisfactorily and this

[1] Two members signed a reservation advocating a more remunerative scheme to attract small savings under which 5 per cent. would be paid on deposits withdrawable at three months' notice.

proviso was abandoned four months later. No person was to be allowed, however, to hold more than 500 certificates.

Even more important, in the history of small saving, than the introduction of this novel form of security were the Montagu Committee's recommendations on the organization of the Savings Campaign and on publicity. Comparatively little had previously been done in the direction of national publicity. The Trustee Savings Banks had issued local leaflets and reports and had held meetings, but they were not able to bear the expense of more than very limited advertising. The Post Office had issued occasional brochures giving particulars of its services and had carried out a small amount of general propaganda. But there had been a feeling that all such advertisements must be decorous and restrained. Some tentative experiments in thrift publicity were made during the first eighteen months of the war, sponsored by the 'United Workers' and the Parliamentary War Savings Committee, but these had not achieved more than a very limited success through meetings, lectures, and the establishment of local thrift committees. A vast publicity campaign of the kind now needed to awake the nation to the urgency of the new situation, created by a world war costing millions of pounds a day, could only be undertaken by a body which had the benefit both of experience of up-to-date publicity methods and of the financial backing of the State. The Report, therefore, recommended the setting up of two Committees—one 'to undertake propaganda work and to promote the formation of agencies and investment societies' and another 'to advise upon and approve the financial details of schemes for Investment Societies and to supervise their working'. Both Committees were separately constituted, but in April 1916 it was decided to merge them in one 'National War Savings Committee'.

This Committee which, with its sister Committees in Scotland and Ulster, may be referred to for convenience as the National Savings Committee—the name later assumed by the English and Welsh body—set to work with great energy and enthusiasm. Under the guidance of the distinguished nominees of the Treasury who controlled its operations, including Sir Robert Kindersley and Sir Theodore Chambers, and with the aid of a salaried staff, a start was at once made in the formation of local Savings Committees all over the country. There was a very

general and willing response, particularly from Local Authorities, who usually took the initiative in forming the Committees and often lent rooms and staff to carry on the work. The National Savings Committee then evolved certain official 'schemes' for popularizing the new War Savings Certificates and promoting their sale through 'Savings Associations' in schools, places of employment, churches, and social organizations. By the end of 1917 there were no less than 30,000 War Savings Associations.

How did the Trustee Savings Banks react to this development? They were naturally very disappointed that the Montagu Committee had rejected their proposal for a higher rate of interest to savings bank depositors. A strong appeal for reconsideration of this decision was sent to the Chancellor of the Exchequer and members of the Committee in April 1916. It was argued that an increase of a ½ per cent. to savings bank depositors was fully justified as a war measure and would not produce the 'serious consequences' which the Committee feared. Savings bank interest had been adjusted before at the instance of the Government and there was no reason why it should not be adjusted again.

'Interest is the inducement to attract capital, both large and small. The Government is borrowing money at something over 5 per cent. for terms of 3, 6, 9, and 12 months, while 2½ per cent. only is offered to Savings Bank depositors for money at call. It is strongly urged, therefore, that the discrepancy in the rates of interest for money fixed and money at call in the Savings Bank should not diverge so much as to be in the ratio of 5 to 2½. The small rate of 3 per cent. now suggested as a reasonable concession to Savings Bank depositors has been arrived at in order that it may not compete unduly with other interests and is the rate Commercial Banks are generally offering in their Savings Departments. Co-operative Societies, Building Societies, and kindred institutions are offering considerably higher rates. In the experience of the Savings Banks dissatisfaction with the present rate of interest is being expressed by depositors. The present rates of interest reverse the principles on which all Savings Bank legislation has been enacted hitherto, namely, the encouragement of thrift among those of small income by offering liberal terms. Savings Banks at this time should not be looked upon as sources of profit and revenue to the State. Whatever else is taxed, no levy ought to be made on thrift.'

The reference to a 'levy on thrift' reflected the changed condition of the 'Fund for the Banks for Savings' since the days now long past when a deficiency to be made good by the State was so frequently reported to Parliament. During the eight years from 1909 to 1916 there had been annual surpluses in the Fund of substantial amounts. Half these surpluses, amounting to £151,829, had been paid over to the Treasury, which was thus making a profit out of Trustee Savings Bank depositors. In 1917 the Treasury received no less than £73,818 from the same source.[1]

Mr. McKenna was not, however, willing to reverse the decision he had already reached as a result of the recommendation of the Montagu Committee and these and other representations on the same subject were rejected. The savings banks, therefore, found themselves regarded largely as a convenient medium for enabling the public to buy the various high-interest-bearing war loans, bonds, and certificates which were presented to the public with the full accompaniment of a patriotic appeal. Despite great staffing difficulties, they undertook this work efficiently and without complaint, though at times their efforts only served to reduce their own management income which, of course, varied with the size of their balances invested with the Debt Commissioners and was proving increasingly inadequate as prices and salaries rose. Their depositors were faithful to them, choosing to make their investments and buy their certificates through the savings banks; many of them showed throughout the war their preference for savings bank deposits available at call. Ordinary department balances actually grew by £2,371,000 during 1916, thanks largely to the abolition of limits of deposit, and, although the following year showed a decrease of £1,434,000 owing to the great popularity of the 5 per cent. War Loan, there was another great leap forward in 1918 with a record increase of £8,633,942, bringing the sum due to depositors in this department to £60,984,000.

Most of the banks tried to establish friendly relations with the new Local Savings Committees. The degree of co-operation naturally varied in different districts. There were plenty of opportunities for misunderstandings. An entirely new body had entered a field previously occupied exclusively by the savings banks and had started forming associations sometimes

[1] See Appendix IV.

in direct competition with existing agencies. Its great energies were directed, with full Treasury approval, to popularizing the new Savings Certificates, and many people were naturally led to believe that the buying of these Certificates was the only way in which the small saver could fully support the war effort. The savings banks were largely ignored in national publicity. It was, perhaps, too much to expect that the older institutions would welcome the new-comers with open arms. In some districts incidents led to a feeling of grievance which lasted many years, but good sense prevailed in most cases and co-operation became closer as the months and years passed. In August 1917 the Trustee Savings Banks Association could report:

> 'The Trustee Savings Banks have been actively associated with the work of the War Savings Committees in their different localities and notably in the issue of War Savings Certificates. In this connection the Council desire to call attention to the recently issued first Annual Report of the National War Savings Committee, whose strong appeal to the patriotism, prudence and intelligence of the people, supported by the active propaganda work of the War Savings Associations, has led to such good results. Whilst in some cases it may be found that this national thrift campaign has affected the deposits of the Savings Banks, the Council feel assured that the outcome of such a movement will be a permanent extension of saving habits amongst the people, which should ultimately add to the prosperity and usefulness of the Banks.'

It is easy to see now how friction could have been avoided and a really national appeal launched. But the whole new machine was hastily devised as a matter of urgency in the middle of a war. Its promoters deserve the greatest credit for so quickly organizing a huge army of voluntary workers and so harnessing the willing efforts of millions to the mammoth war-finance machine. The school teachers were outstanding in their support. The comparatively smooth working of the same machine at the next crisis in 1939 showed that the lessons of early mistakes had been learnt during the intervening years.

Over fifty-four million War Savings Certificates were sold during 1916, raising over £42 millions. In 1917 the net sales produced nearly £63 millions and in 1918 about £102 millions. They thus accounted for about £207 millions out of the £433

millions which had been estimated as the contribution of the small investor to war finance from August 1914 to December 1918. It must, however, be remembered that the purchases of Savings Certificates by the wealthier members of the community are included in these figures.

The year 1917 saw a general stepping up of the pace of savings publicity. Mr. Bonar Law, who had succeeded Mr. McKenna at the Exchequer, launched the great 5 per cent. War Loan early in the year. Although the Loan was issued below par and the effective yield was 5¼ per cent., he courageously told the country that this was as high a rate as they were likely to get and that if they did not subscribe on these terms the 'resources of civilization were not exhausted'. From this time interest rates on government borrowings ceased to rise and even became easier, particularly on short-term borrowing. The response to the 5 per cent. Loan was remarkable. Over £1,000 millions were raised. Most of it was, of course, 'big money', but the small investors' effort was not inconsiderable. The savings banks were the scenes of almost unbelievable activity. People filled the offices and queued up in the streets to put their bit into the new Victory Loan. The depleted staffs were in many cases literally overwhelmed by the volume of business. They worked on through the nights trying to cope with this great public stampede and its consequences. Many an office failed to strike a balance at the end of those strenuous days, but the depositors all received their treasured War Loan Certificates in due course. After this experience it was a relief when the Treasury decided to institute a system of continuous borrowing by issuing National War Bonds 'on tap'. This relieved the banks of times of acute pressure, though staffing difficulties became even more acute as the demands of the war thinned out still further the numbers of experienced officers. At about the same time a Director of Publicity for the War Bonds Campaign was appointed. Sir George Sutton, who was appointed to this post, was Chairman of the Amalgamated Press. Not only did newspaper advertising become much more widespread and dramatic, but tanks toured the country, raising huge sums in 'Tank Weeks'. Other special weeks were arranged with a host of different publicity devices and 'stunts', which finally and completely destroyed the old traditions of restrained and dignified

advertising. There is no doubt that these methods succeeded in making the public thrift-conscious to an extent which it would have been difficult to secure by less spectacular methods.

During 1917 the amount of government stock held for depositors on the Trustee Savings Bank Registers increased by £9,247,065 and during 1918 by a further £4,289,291. Whereas in 1914 the total holdings of government stock and bonds by Trustee Savings Banks was £2,696,304, by 1918 it was £22,521,321—over eight times as much. The small holdings of stock on the Post Office Register were naturally far more substantial. They rose from £26,576,000 at the end of 1914 to £185,682,000 at the end of 1918—a sevenfold increase. These figures exclude the holdings of War Savings Certificates. These Certificates were not held on any Register, like government stock; their issue led to the formation of a huge new government department to keep the necessary records. The proceeds from their sale were paid direct into the Exchequer and money required for their repayment with interest came out of the Exchequer.

This very brief survey of the small saver's part in the First World War omits two important developments—the reorganization under closer state supervision of the special investment departments of Trustee Savings Banks and the establishment of a Municipal Savings Bank in Birmingham.

The determined fight by the old savings banks for freedom to make special investments has been described in a previous chapter. The departments had been carefully administered and the investments—mainly in local mortgages on the security of the rates—had been well chosen by the trustees of the banks, who knew the Local Authorities concerned and many of whom were men with an intimate knowledge of finance and investment. Owing to the embargo put on the opening of new special investment departments between 1891 and 1904, many of the banks had only had a few years' experience of the departments and little time in which to build up substantial reserves. What had not been foreseen and could hardly have been foreseen was a sudden and prolonged change from a 3 to a 5 or 6 per cent. level of interest, involving a corresponding depreciation in the value of old investments. These conditions completely altered the appearance of the balance sheets of many very respectable

and long-established financial institutions. The special investment departments were, in a sense, less vulnerable than many other institutions, because the money lent on the security of local rates was not subject to depreciation in the same way as an irredeemable security like 2½ per cent. Consols. The capital would be repaid in full on the due date. Nevertheless, on a strict accounting basis, these securities as well as the government stocks and other marketable investments had to be written down to the new values and some of the investment departments could not stand such a drastic loss, though the loss was admittedly a paper one, most unlikely to affect depositors unless they completely lost confidence in the banks. The departments were also faced, as a result of the war, with periodical heavy demands by depositors to withdraw deposits for re-investment in government loans. The National Debt Commissioners were not unwilling to help, but it was made quite clear to the banks that help would only be given at high rates of interest and that the mere raising of these questions would lead to another inquiry into the whole basis and *raison d'être* of special investments.

The situation was a delicate one, not only because of the imperative need of maintaining confidence, but because the banks knew that the existence of these special investment departments, free from Treasury control, had never been more than tolerated by some of those in authority in Government and financial circles. Negotiations, which lasted for many months, were conducted by representatives of the Trustee Banks, the Debt Commissioners, the Treasury, and the Bank of England. The determination of the Trustee Savings Banks to keep their special investment departments was so forcibly expressed that the first inclination of the State to take over these departments lock, stock, and barrel from the trustees was soon abandoned. To secure the maintenance of this valuable branch of their work, the banks offered to set up a mutual guarantee fund amongst themselves and were prepared to submit to a considerable measure of government supervision of their investments and administration. The solution, which was finally hammered out and embodied in the Savings Banks Act of 1918, was one which has worked well in practice ever since. Indeed, it may be said that the Act, which became law on 18 April 1918, greatly strengthened the special investment departments and made

them for the first time, so far as the State was concerned, an integral part of Trustee Savings Banks, instead of the sort of uncontrollable excrescence which the official mind had regarded with misgiving. This was achieved by bringing the whole business of special investments under the control of the National Debt Commissioners. All purchases and sales of securities had in future to receive the prior approval of the Commissioners, who also obtained supervisory powers over the rate of interest payable to depositors and the expenses of management. Their right of control was almost unfettered, but in practice the local trustees were still free to choose the investments and administer the funds and their freedom of action was seldom interfered with. Liquidity was enforced by a provision that no investment should be repayable later than one year from the date it was made, or three years in the case of government securities, or on six months' or shorter notice. These restrictions did not at the time create much difficulty. Treasury bills giving comparatively high yields could be bought and short-term Treasury bonds were plentiful towards the end of the war and for some years afterwards. So far as mortgage loans to Local Authorities were concerned, most Councils were willing to insert a clause in the Mortgage Deeds providing for the repayment of the principal of the loan at six months' notice; in fact, these clauses had not been uncommon before the 1918 Act. These years were indeed the investor's paradise and, although during the war years little money flowed into the investment departments in view of the greater appeal of National War Loans, the Trustee Banks were able gradually to build up reserves of great strength owing to the steadily rising yield on their investment portfolios.

The offer of the banks to set up a mutual guarantee fund in respect of special investments led to another valuable clause in the 1918 Act. The guarantee fund, which was constituted by its second section, was composed of all the reserves of both cash departments of all banks conducting special investment business and the surpluses of Trustee Banks which had closed in the past and were still held by the Commissioners. In this way, by sacrificing a measure of independence, the banks secured for their depositors an almost unassailable position. The Act also removed a small but long-standing grievance. Interest had not been allowed on bank surpluses held by the National Debt

Commissioners which had accrued before 1880. These surpluses were henceforth to carry interest at the same rate as other sums invested with the Government.

The contrast between the 1891 Act, which had been aimed at curtailing, if not suppressing, special investment departments, and the 1918 Act, which embodied such a reasonable compromise, was a reflection of the progress made in the interval in strengthening the structure of the banks and the joint machinery for handling their common problems. Sir William Turpin, Comptroller-General of the National Debt Office, showed at this time and later, when he became Chairman of the Inspection Committee, that, despite his rather reserved manner, he had the welfare of the banks at heart. The Trustee Savings Banks' representatives, Mallaband of Sheffield, Jaffrey of Aberdeen, and Anderson of Preston, not only conducted the negotiations skilfully and realistically, but took great pains to secure for these rather drastic changes the general approval of trustees all over the country, whose natural inclinations were strongly opposed to any extension of government control.

Had the Treasury taken the occasion of the war conditions to fetter or prevent the growth of special investment departments, there is no doubt that one result would have been to stimulate after the war an almost irresistible country-wide movement for municipal banks, for the two slogans, 'Local Savings for Local Development' and 'Local Control of Finance means Lower Rates' made a very wide and natural appeal, especially so at a time when the cost of local borrowing was very high, judged by pre-war standards. Where the local Trustee Bank had a special investment department from which loans were made to the municipalities, these demands were at least partially met, but there were still some great cities without a local savings bank. Chief among these was the City of Birmingham. The sad story of the closing of the prosperous Birmingham Trustee Savings Bank in 1864, as a result of a majority vote of the trustees, has already been told.[1] In 1912 the Inspection Committee reported that an inquiry was received about establishing a new Trustee Bank in Birmingham, but 'the proposal seems not to have been pursued'. Mr. Neville Chamberlain, to whose efforts the starting of the Birmingham Municipal Bank was largely due, told a

[1] See p. 216.

Trustee Savings Bank meeting in 1933 that had there been a Trustee Bank in Birmingham in 1917 there would have been no municipal bank.

Mr. Chamberlain's thoughts first turned to this project in 1915 when he was Lord Mayor of Birmingham, and was dissatisfied with the machinery which then existed in the city for collecting small savings to help the war effort. Civic pride has always been strong in Birmingham and the Lord Mayor's views at this time seem to have been influenced solely by the desire to see his city's War Savings effort second to none in the country. Municipal finance did not enter into the question in 1916. That was a post-war extension of the theory of municipal banking which was later to become a political issue largely on party lines. 'What was present in my mind at the time', Mr. Chamberlain noted some years afterwards, 'was that here was a tremendous amount of money being paid out in high wages to munition workers and others and that, at any rate in our district, there was really no opportunity for them to save beyond the Post Office, which, for various reasons, had attracted some but not a very large proportion.' In other words, it was the need for a local savings bank which appealed to Mr. Chamberlain and his colleagues—the need which Trustee Savings Banks had met in most of the larger cities and towns. Mr. Chamberlain knew well that if a municipal savings bank could succeed anywhere it would be in Birmingham with its fine record of municipal administration and large industrial population. In April 1916 he obtained the support of the City Council to a proposal to open a municipal savings bank. Work-people were to be encouraged to agree to deductions from wages. Money so saved would be invested with the Government and depositors would be allowed interest at the rate of 3½ per cent. In its original conception, it was, therefore, to be a sort of channel for diverting more money to the State, sponsored by the Birmingham Corporation and with the attraction of a rate of interest in line with war-time conditions such as the Trustee Banks had tried in vain to secure for themselves. The City Council approved; the Treasury was approached for its blessing and, more important, for facilities to pass the necessary legislation. A first Bill, introduced in April 1916, would have empowered any Local Authority with a population of 50,000 or over to start a municipal bank,

subject to treasury regulations, but this met with opposition from the joint-stock banks and was not passed. Mr. Chamberlain was not to be deterred and after overcoming many difficulties he was successful in securing the safe passage through both Houses of a 'Municipal Savings Banks (War Loan Investment) Act', which became law on 23 August 1916. But he had to pay a high price to overcome what he described as 'rather factious opposition'. The Act and the Treasury Regulations which were subsequently drawn up confined the activities of any bank established under this statutory authority so drastically that it is not surprising that Birmingham was the only city which decided to make use of its provisions. The Act could only be taken advantage of by cities with a population of a quarter of a million. No bank established under its authority was to be carried on after three months from the end of the war. Deposits could only be received from 'persons in the employment of some other person and made through their employers'. Eighty per cent. of the money received was to be invested through the National Debt Commissioners in treasury bills or advances to the Treasury, and the whole operations, including the rate of interest to depositors, were subject to treasury regulations. Limits of deposit were fixed at the pre-war Trustee Savings Bank figure of £200.

With these hampering restrictions it is a wonder that the first Birmingham Municipal Bank made the progress it did. As deposits could only be received through employers—a method always regarded with suspicion by a considerable section of the workers—a system of coupon saving was used. Coupon cards and coupons of various values were supplied to firms, which sold them to their employees or issued them in consideration for an agreed deduction from wages. As soon as the employee had accumulated one pound's worth of these gummed coupons, he became an individual depositor in the bank. A whirlwind publicity campaign was started and many members of the Corporation gave up their time to interviewing employers and addressing workers. An energetic staff, headed by the capable manager, Mr. J. P. Hilton, carried out the administrative work with great enthusiasm. In just over three years £603,319 was deposited and £295,709 withdrawn, and valuable connexions established with many thousands of working men and women

who were to be the backbone of the second Birmingham Municipal Bank after the war. Financially, the first bank was not successful and finished with a small charge of £7,149 on the local rates—a deficit soon repaid by its successor. The loss was attributed to the restricted investment powers of the National Debt Commissioners under the Act. Instead of obtaining from the Commissioners the 5 per cent. on their investments which they expected, the promoters found that even the original rate of 4½ per cent. was not maintained but was reduced gradually to 3½ per cent. The 3½ per cent. offered to depositors, therefore, proved too high, but the Corporation did not doubt that, given a free hand, they could pay 3½ per cent. and still make a profit.

The first Birmingham Municipal Bank had been given a deferred death sentence at birth, for it had to be wound up within three months of the end of the war. The City Council, however, had no difficulty in persuading the Local Legislation Committee of the House of Commons in June 1919 that they had a strong case for starting a new municipal bank to carry on the work of the war-time institution. The necessary powers were therefore given to them in the Birmingham Corporation Act of that year and the new bank was opened on 1 September 1919. Though still subject to treasury regulations, the new bank had much wider powers—very similar powers, indeed, to those of the Trustee Savings Banks. The main differences were, firstly, that the funds were deposited with the Corporation or invested in securities chosen by the Corporation with Treasury consent and not sent to the National Debt Commissioners, secondly, that the management was vested in the Corporation and not in independent trustees, and, thirdly, that power was given and exercised to establish a housing department to lend money to depositors for the purchase of homes.

The story of the very successful early years of the new Birmingham Municipal Bank has been told elsewhere by the general manager, Mr. Hilton. It cannot be retold in a short history of Trustee Savings Banks. It will be seen in the next chapter that the merits of the two forms of local savings banks became the subject of much controversy, which led to the appointment of a Select Committee some years later.

How had the war affected the Trustee Savings Banks and the small saver? The cash and stock held for depositors had risen

from £71,342,900 in 1913 to £97,633,508 in 1918, equivalent to a rise of 38 per cent. The number of depositors had risen by 215,000. There had, however, been a significant change in the distribution of the small savings between cash and stock during the five years.

Ordinary department .	Increase	£6,725,198
Special investments .	Decrease	£232,903
Government stock . .	Increase	£19,798,323

Much persuasion had turned a number of small depositors into small investors. But even the strong patriotic appeal to support War Loans and the high yields given on such investments had not prevented a satisfactory growth in savings bank deposits, the real foundation of thrift. The greater popularity of government securities was due not only to the high yield but to the fact that the securities were redeemable at par at a not too distant date. Not otherwise could the memory of the capital loss on 2½ per cent. Consols have been effaced.

When one reflects on the loss and suffering of a long and costly war, even a small item on the credit side may be worth recording in our social history. A twentieth-century Dr. Duncan would have been sure of at least one gain. The urge and stress of the struggle had added a host of new recruits to the ranks of those who had some financial stake in the country. The savings movement had begun to make a far more general appeal to the workers in industry, skilled and unskilled; children's savings had become a normal feature of school life all over the country and not only in those centres where Trustee Banks or the Post Office had previously been active in promoting penny savings banks; and most soldiers on discharge found that they had at least some money in the savings bank in the form of a service gratuity to help them restart their civilian careers. The three separate sections of the National Thrift Movement now set about to consider how they could keep up and, if possible, increase these saving habits once the war incentives were removed.

Chapter XVII

BETWEEN THE WARS

IN 1919, a hundred and two years after Parliament had passed the first Savings Bank Act, the Trustee Savings Banks reached their first £100 millions of funds. During the next ten years the cash and stock balances held for depositors rose to £162 millions and by 1939 to £292 millions. Thus in twenty years they had increased by double the amount accumulated during the first century. The reserve funds in 1939 were about £11 millions, so the total funds exceeded £303 millions.

The struggle for recognition and even for existence, which has been recounted in earlier chapters, was over. Dr. Duncan's child had developed into robust manhood after several periods of ill-health. The prophecies of Mr. Gladstone and others, who expected its early demise, had been falsified. The old savings banks were now entering on an era of almost uninterrupted progress, which need not be surveyed in such detail. But those years between the wars had a real significance and some of the principal features of this period of development cannot be overlooked in any estimate of the position of Trustee Savings Banks to-day in the national economy. Their relationship to the national savings and municipal bank movements was still unresolved in 1919. Large communities were still without a local savings bank. It was still uncertain to what extent the Trustee Banks would follow the example of the joint-stock banks and form a few large and powerful amalgamated units. Nor was it clear how far new services to depositors could be suitably added to the century-old structure.

The successful solution of these and other problems demanded qualities of leadership and initiative of a high order. There were certainly times when the difficulties of persuading over a hundred independent banks to speak and act as a single body proved insuperable, but a review of these years shows the growth of a remarkable degree of co-operation and unity of purpose expressed through a Central Association which secured a tardy recognition from the Treasury in 1919.

A large part of the credit for securing such a high measure of agreement on national policy on the part of many intensely local

institutions belongs to Mr. (later Sir) Spencer Portal. A member of the well-known Hampshire family, Mr. Portal was appointed a trustee of the London Savings Bank in 1914 and had much to do with the development of that bank, of which he was chairman from 1915 and later president. He first attended a meeting of the Trustee Savings Banks Association in 1914 and from that time his greatest interest was to develop its influence and, through this medium, to extend the usefulness of the Trustee Banks. His singleness of purpose was aided by great personal charm and courtesy, which won for him a unique place in the affection of the banks.

Mr. Portal's first prominent intervention was in October and November 1918, when he outlined at meetings of the Association some of the chief problems which would face the Trustee Banks at the conclusion of the war—the plans for the continuance of war saving, the amalgamation of smaller banks, the securing of a larger management allowance on money invested with the Government, the extension of the usefulness of the Central Association and the improvement of its structure. He frankly deplored the inadequacy of the co-operation between the banks. He urged that they should appoint a permanent secretary and that the large Council, which had been in the habit of meeting periodically to discuss common problems, should delegate its executive function to a small Committee. Above all, he began a campaign, which he pursued almost single-handed and with great success during the succeeding years, to persuade the leading trustees of the banks to interest themselves in the direction of national as well as local policy. This was no easy matter, for the honorary trustees and managers were all very busy men, leaders of their local communities and reluctant to add to their other labours. Consequently, only a few of the most enthusiastic of them had been accustomed to attend the meetings of the Trustee Savings Banks Association and the business had been mainly conducted by the actuaries of the larger banks. Mr. Portal gradually impressed upon the trustees the importance of seeing that those responsible for the control and policy of the local banks should also take a hand in deciding the direction of their common advance, the conduct of negotiations and the promotion of legislation. His enthusiasm was infectious and within ten or a dozen years the meetings of the Association had been transformed and much valuable new

counsel was added to the movement, contributing new ideas and removing causes of friction.

Mr. Portal became deputy chairman of the Association in 1919 and chairman in 1923. On relinquishing the chair in 1935, he was appointed president. His principal colleague during his chairmanship was Mr. W. P. (now Sir Walter) Cobbett, one of Manchester's leading lawyers and philanthropists and chairman of the Manchester and Salford Savings Bank. A direct descendant of George Rose's old opponent, William Cobbett, the bitter antagonist of the early savings banks, Mr. Cobbett, by his evidence in support of the banks before Government Committees and his skill in negotiation and the framing of agreements, had a much more lasting influence on the movement than his erratic and distinguished ancestor. To the actuaries who had been prominent during the war years and who continued to contribute to early post-war discussions—Jaffrey of Aberdeen, Mallaband of Sheffield, Anderson of Preston, Crane of Chester, and Barclay of Perth—was added in 1924 one of the greatest personalities yet produced from the ranks of savings bank officials—Thomas Henderson of Glasgow. For many years a power behind the scenes in Glasgow, he came to the front as one of the statesmen of the movement as soon as he was appointed actuary of the great Glasgow Bank in 1924. He had the vision and ability of Mr. William Meikle, the real architect of the modern savings bank, and for the next ten years was a recognized leader in thrift circles in Great Britain and abroad. As honorary treasurer and later honorary secretary of the Association, he was an ideal adviser and colleague to Spencer Portal and Walter Cobbett. In the thirties this inner Cabinet was further strengthened by the inclusion of Mr. W. Louis Lawton, who had built up one of the largest and most prosperous Trustee Savings Banks in England—now known as York County Savings Bank.

Although the steady and increasing progress of the Trustee Savings Banks in the twenties and thirties was helped by the progressive policy pursued by these men and their colleagues, it was due to the interplay of many factors.

First among these must still be placed the increased limits of deposit. The hampering pre-war limits had been swept away at the end of 1915 by a war-time regulation. No one seriously thought that the old limits would be re-imposed after the war,

SIR SPENCER J. PORTAL
Chairman, Trustee Savings Banks Association, 1923–35;
President since 1935
(*Photograph by Claude Harris*)

but much depended on the willingness of the Treasury to allow generous limits in their place. Some optimists, indeed, thought that the days of limiting deposits had passed for good and all. Sir Albert Rollit tried to secure this by introducing a one-clause Bill to remove the time limit on the abolition of unrestricted deposits, but it was evident that the Treasury was not prepared to go as far as this. It was still the official view that there was a danger in the State accepting unlimited sums at call. It was Sir Albert Rollit's last service to the movement to continue to press upon the Chancellor of the Exchequer the claims of the savings banks to generous treatment. Concurrently, representations were being made by the Trustee Banks to the National Debt Commissioners. When the Government eventually dealt with the question in 1920, the Act of that year confirmed the abolition of all limits until six months after the official termination of the war. The Treasury was given power to reinstate limits thereafter. The war officially ended on 1 March 1922, and, when six months later the Treasury Order was issued, there was general relief to find that no total limit of deposit had been reimposed in the ordinary department. The new annual limit of £500 was reasonably generous. It was, of course, more than any ordinary savings bank depositor could save in a year and was only restrictive in comparatively few cases, mainly those in which the recipients of legacies or lump sum gratuities or the proceeds of insurance policies wished to deposit them in the savings bank. The sums which could be deposited in the special investment department, on the other hand, were restricted by another Treasury Order in 1922 to £500 in all.

Larger deposits have always been essential to the progress of savings banks. The small accounts have never been self-supporting. The importance of wide limits of deposit at this time can hardly be over-emphasized. Attention to the needs of the small depositor, thrift propaganda among children and in the poorer quarters of the big cities—in other words, the real missionary work for which savings banks were founded—could not have received adequate attention but for the income which the banks derived from the larger sums entrusted to them by their widening circle of clients.

The financial aspect had indeed become acute before 1920, owing to the enormous rise in the cost of living with

corresponding demands for increases in staff salaries and heavier management expenses. The management allowance had for long been inadequate. The difference of 5*s.* between the £2. 15*s.* per cent. paid by the Debt Commissioners to trustees and the £2. 10*s.* per cent. which most trustees allowed to depositors had always been too meagre to enable the small and medium-sized bank to offer a full service to the public, to pay its staff adequately, and to build up reserves against emergency. By 1919 it was manifestly insufficient even for the largest and most prosperous banks. Moreover, the savings banks had devoted a great part of their energies to selling and popularizing government securities, for which they had received no payment except for an *ex-gratia* Treasury grant of £11,000 divided among them at the end of the war. The Government, which was now making a substantial profit out of the administration of the Savings Bank Funds, was bound to admit the strength of the representations made by the savings banks through their Association in 1919. One of the most valuable clauses in the 1920 Act was that which increased the rate of interest payable by the Commissioners to trustees to £2. 17*s.* 6*d.* per cent. and so increased the management allowance from ¼ to ⅜ per cent. The immediate result was the raising of the low salaries paid to many of the junior staff, the release of more money for publicity and development and the building up of essential reserves.

It was during the twenties that the special investment departments came into their own and saved the banks from feeling the full effect of the fluctuations in the general level of interest rates. Until the early thirties, when the conversion of the great 5 per cent. War Loan to a 3½ per cent. basis was carried through, the ordinary department rate of interest remained relatively unattractive—so much so that several attempts were made during these post-war years to have it raised. In 1922 the Trustee Banks pointed out that, even allowing for the addition of interest, the previous year had resulted in a decrease of over £2 millions in ordinary department balances. The Treasury, however, was adamant. 'Savings Banks', ran the official reply, 'should adopt a rate which, taking one period with another, will ensure financial stability. . . . The present would, in any case, be a most unsuitable time for an upward revision of rates.' Similar requests in 1927 and 1929 met with the same

reply. The strong views of the banks, faced during these years with intense competition from joint-stock banks and building societies, were natural enough. Decreases in the ordinary department were recorded in 1921, 1926, 1927, 1929, 1930, and 1931. The experience of later years of low-interest rates suggests that the Treasury view was not only the right one but was the most favourable long-term policy for the banks and their millions of depositors. Had the convenient rate of sixpence in the pound been adjusted during the twenties in an upward direction, it might well have been lowered during the forties.

There were, however, no restrictions on the special investment department, save the control over the rate of interest given to the Debt Commissioners by the 1918 Act and the need for trustees to pursue a conservative policy of building up reserves and providing for depreciation. As the prevailing rates of borrowing by Local Authorities varied during the twenty years after the 1918 Armistice between 3 and 6 per cent., most banks which conducted special investment departments had no difficulty in allowing from 3 to 4 per cent. on deposits and at the same time putting aside substantial sums for development and reserves. In 1920, for instance, twelve banks were paying 4 per cent. to depositors, seventeen 3½ per cent., seventeen 3 per cent., and two 2¾ per cent. Those paying 3 per cent. or less were making little or no progress, but those paying over 3 per cent. were advancing fast. The lesson was obvious and when the next period of high-interest rates set in after 1926 almost all the banks were able to pay the maximum rate of 4 per cent. which was permissible between 1927 and 1932, and reaped the benefit in the form of greatly increased usefulness and popularity. The rapid growth of special investment departments is best seen from the following table:

	Ordinary dept.	*Per cent. increase*	*Special investments*	*Per cent. increase*
	£		£	
1919	71,918,000	..	14,919,000	..
1924	82,285,000	14	24,736,000	66
1929	79,331,000	*3½	45,146,000	83
1934	94,758,000	19	87,141,000	93
1939	152,278,000	60	99,448,000	14

* Decrease.

A more detailed analysis would show, as one would expect, that the years in which special investment departments made most progress were the years of high-interest rates between 1926 and 1932. The old savings banks certainly had cause at this time to bless Rollit's Act of 1904 which had restored freedom of special investment. Fifteen more banks opened these departments during the decade following the war. There were, however, still many independent banks too small to give these facilities and the fate of many of them became precarious. A few closed but most sought the shelter of a larger neighbour and, by amalgamating, obtained the right to offer the higher rate of interest as well as other advantages.

No such alternative was available to the great Post Office Savings Bank. It passed through almost its only period of real stagnation. The cash balances of its millions of depositors did increase slowly from £266 millions in 1919 to £285 millions in 1925. But this increase was considerably less than the amount of interest added to the accounts each year-end. In other words, withdrawals were exceeding deposits. During the following six years—the high-interest years—the position became worse, the increase for the whole period only amounting to £4 millions. The number of active accounts decreased by nearly a million. The situation was soon restored after 1932, not only because the interest rate of 2½ per cent. became relatively more attractive, but because the new conditions were energetically and successfully exploited under the more progressive administration initiated by Sir Kingsley Wood, the Postmaster-General, with the assistance of a young Controller, Mr. Donald Banks.[1] Easier facilities for withdrawal were introduced, book-keeping was mechanized and speeded up, and publicity methods were transformed out of all knowledge. The new spirit has since been maintained under successive Postmasters and Controllers.

Another feature of the inter-war years was the decline of the popularity of government securities among savings bank depositors. Holdings of government stock by Trustee Savings Bank depositors did, it is true, increase slowly from £25,347,000 in 1919 to £40,815,000 in 1932. But Post Office holdings declined steadily from a peak of £215,253,000 in the former year to £194,531,000 in the latter. When the 5 per cent. War Loan—a huge

[1] Now Sir Donald Banks, K.C.B.

£2,000 millions monster—was converted to a 3½ per cent. basis in 1932, the vast majority of small-holders supported the operation from patriotic motives and very few asked for repayment. Many of them suffered severe hardship through this unexpected cut in their income. The record of the Trustee Savings Bank holders was, indeed, the best of any and earned the special thanks of the Chancellor of the Exchequer. But, after the conversion was completed, the small saver found even less attraction in fluctuating securities yielding not more than 3½ per cent., notwithstanding the guarantee of the Consolidated Fund. By 1938 Post Office holdings had dropped by a further £30 millions and Trustee Savings Bank holdings by £2½ millions. It needed the stimulus of another War Savings Campaign and the introduction of a new non-fluctuating security with a special appeal to the small man—the 3 per cent. Defence Bond—to convert a new generation of savers into willing holders of government bonds.

The progress of Trustee Savings Banks during these twenty years was more steady than spectacular and must be seen against a background of poor trade and competitive interest rates. In no single year was the increase in cash and stock held for depositors less than £3 millions. The leanest years were 1921, 1926, and 1929; the fattest, 1920, 1922, 1928, and the whole period from 1930 onwards. It is difficult to account for all the fluctuations, but this at least is clear. Small saving does not fall off to the degree one might expect in years of scarcity and unemployment; nor does it show a marked improvement in years of good trade and high wages, if we exclude the special factors peculiar to war conditions. Years of depression are often the times in which the need for thrift is most apparent in the home. Certainly the year 1921, which opened in the shadow of Farrow's Bank failure and sank steadily into the trough of post-war depression, was a bad savings year. Nor was a setback unexpected in 1926, the year of acute industrial unsettlement, culminating in the General Strike. But 1929, although a poor savings bank year, was a time of relatively good trade, not markedly different from other periods in which deposits were at a satisfactory level.

The rate of interest offered by other institutions or obtainable on other securities was probably an increasingly important factor governing the fluctuations of savings bank deposits. In

1922, for instance, bad trade was offset, so far as the savings banks were concerned, by the low rate of interest offered by commercial banks—then 1 per cent. Heavy taxation and the lower standard of income-tax exemption gave fresh impetus to tax-free securities such as National Savings Certificates and building society deposits and shares. With improved education the small saver looked more closely at the return from his investments. This was the great epoch of building society expansion. Before 1914, the annual advances made by these societies on mortgage did not reach £10 millions. The post-war housing shortage stimulated the erection of hundreds of thousands of small owner-occupier houses, with the result that by 1933 advances to house-purchasers had risen to over £100 millions a year. It is true that this vast building programme was not all or even mainly financed by small deposits and shareholdings. The rates of tax-free interest offered by building societies to lenders were such as to attract the sur-tax payer even more than the man of modest income. Yet there is no doubt that in some parts of England during this housing boom a considerable part of the small saver's surplus money was either being used for the purchase by instalments of house property and furnishings or deposited with building societies. The figures tell their own tale. Building societies' share capital and deposits rose from £72,800,000 to £297 millions, between 1919 and 1929 and more than doubled again during the next seven years, the figure at the end of 1936 being £622 millions.

No comprehensive study of all the factors affecting small saving between the two wars has yet been undertaken. Changes in social habits, the effect of smaller families, the competitive development of advertised inducements to spend, the varying and often conflicting advice of economists on the wisdom or disadvantages of thrift—all these may have had some effect. But, so far as the old savings banks are concerned, there are other reasons worth recording to account for some part at least of the growth of the movement. The first and most obvious reason was the improved organization of the banks themselves. Although there was still, as the Inspection Committee reported in 1923, 'a class of savings bank whose role is rather passive than active', the weaker units were gradually being eliminated. Only a few very small savings banks closed, but many amal-

gamated with their stronger and more vigorous neighbours. Others increased their hours of business and modernized their methods. In November 1919 there were 163 independently managed Trustee Savings Banks, which administered between them 420 offices. Ten years later the number of separate banks had fallen to 113, but the number of offices had increased to 466. In other words, amalgamations of established banks and the opening of new branches were being pursued concurrently.

Amalgamations were greatly stimulated by the desire of the smaller banks, which could not themselves give special investment facilities, to offer their depositors the higher rates of interest which their wealthier neighbours were now paying. Moreover, a policy of amalgamation in such cases was strongly recommended both by the Trustee Savings Banks Association and the Inspection Committee. A paper read in 1919 by Mr. Lawton, the actuary of the York County Savings Bank, brought the question to the front and revived the interest in the subject which had first been raised by the Chester Bank many years before. The Inspection Committee soon afterwards issued a circular strongly supporting the same policy. There was no compulsion, but persuasion was made easier by the economic conditions of the time. The trustees of the Boston Savings Bank, by amalgamation with Horncastle, Louth, Sleaford and Spalding in 1921, began to build up a strong and progressive central bank in Lincolnshire. Aberdeen was the natural centre to which most of the small banks in the north-east and north of Scotland turned during the later twenties and early thirties. Shrewsbury, Newcastle upon Tyne, Taunton, Chester, Carlisle, and York Savings Banks were all extending their influence in the surrounding districts. London Savings Bank was able by amalgamation to extend westward to Newbury, south-west to Guildford and Southampton, and south-east to Chatham and Rochester. Its neighbouring bank in Finsbury secured new territory in Bedford, High Wycombe, and Gravesend. The movement was not co-ordinated and sometimes resulted in overlapping. Occasionally the nearest big bank declined to consider overtures from a small bank anxious to profit by amalgamation, with the result that the small bank went farther afield and boundaries became rather confused. There is no doubt, however, that the results of amalgamation were in nearly every case

highly satisfactory and often spectacular. Improved service, larger premises, more adequate hours, a better trained and paid staff, made their appeal to the public and funds increased rapidly. There was no uniform scheme of amalgamation. Indeed, there were divergent views as to the degree of centralization which was desirable. Local Committees were usually preserved, but, whereas in some amalgamations, like those at York and Newcastle upon Tyne, these Committees retained substantial powers, in others, such as London, Shrewsbury, Glasgow, and Aberdeen, their functions were mainly advisory and the executive power was concentrated at the centre. Some banks were centrally managed by joint boards, in other cases the smaller communities were satisfied to leave the administration to the trustees of the central bank. The question of the ideal size of a bank in area or population was scarcely discussed. The approach was, and still is, empirical. But as the years passed the feeling against very large units and in favour of retaining the local character of Trustee Savings Banks seems to have gained ground. A city and its environs, a county town and the smaller market towns around it, a group of small counties looking to a common centre or having some common traditions—these seem to be appropriate spheres of influence and activity for a single Trustee Savings Bank. In some cases smaller communities have successfully maintained prosperous local savings banks for over a century, but it is obviously more difficult for a bank which caters for a population of less than, say, 100,000 to obtain the resources with which to offer a full service to depositors, to undertake the laborious and unremunerative work of encouraging thrift among children, adolescents, and the lower paid workers and to give reasonable conditions of employment and prospects to its staff.

The scope for amalgamation was limited, but the scope for new branches was immense and expansion now became more rapid. In the large cities of Scotland, in Manchester, Liverpool, Hull, and elsewhere a policy of bringing the bank to the housewife by an extensive network of offices in the shopping centres of residential districts met with success. Other savings banks set out to introduce or restore Trustee Savings Bank facilities into neighbouring communities. In this way much of the ground lost through the closing of savings banks in the last forty years

of the nineteenth century was recovered. In 1926, for example, Scarborough, Tavistock, and Hyde Savings Banks were re-established under the auspices of York, Devonport, and Ashton-under-Lyne. In 1929 eighteen new branches were opened and the banks were now ready for the more intense development made possible by the passing of the Savings Bank Act of 1929.

This Act was as significant in savings bank history as the Acts of 1863 and 1904. The 1863 Act had saved the old savings banks from supersession, the 1904 Act had removed obstacles to their development, the 1929 Act encouraged their expansion. It envisaged them taking an increasingly important place in the country's economic life. They had won this recognition on their merits. Their growing popularity was proved by figures. They had just received a remarkable testimonial from a government committee. The Committee on Municipal Savings Banks, presided over by Lord Bradbury, had testified in the course of its Report, presented to Parliament in January 1928, that

'the financial basis of the Trustee Savings Banks is so sound, and they are so firmly established and have in the course of their long history come to inspire such great confidence and indeed affection in the minds of many depositors, that we think it desirable that their activities should be more widely extended, their facilities better advertised and their popularity made even greater than at present.'

To understand the significance of this eulogy by an influential Committee, it is necessary to go back for a few years. For it was between 1918 and 1929 that the shape of the future National Savings Movement, embracing as three equal and independent partners, the Savings Committees, the Post Office Savings Bank, and the Trustee Savings Banks, began to be seen in vague outline. It had at one time been thought that the War Savings Committee, which had done such remarkable work all over the country, would be wound up or gradually fall into desuetude soon after the Armistice. A 'Committee on Financial Facilities', however, appointed in 1917, strongly recommended the continuance of the Savings Certificate and of the organization which had done so much to popularize it. The movement was, therefore, reorganized after the war. Many of the local Savings Associations continued their work and became affiliated to local Committees, which, in turn, appointed representatives to

a 'National Savings Assembly'. Elected representatives of local Committees were chosen on a district basis to serve on the National Committee, which directed the policy of the movement and on which also served a number of other persons nominated by the Treasury. These nominees were selected with the idea of making the central Committee as representative as possible of financial, departmental, and other interests connected with thrift. The Trustee Savings Banks were offered a seat on the Committee in 1919.

For the first few years after the war the National and Local Committees continued to concentrate almost entirely on promoting the sale of National Savings Certificates. In areas where Trustee Savings Banks operated, their activities were sometimes regarded by the banks with suspicion and even disfavour, since both organizations were openly competing for the savings of the same type of customer, although both were working in the interests of the Government. This situation was generally regarded as unsatisfactory, yet it was some years before a solution was found. Suggestions made in 1920 for closer collaboration came to nothing. When, in 1923, the Government appointed the Second Montagu Committee to consider among other things 'the future relations of the National Savings Committee, the Scottish Savings Committee, the Post Office, the Post Office Savings Bank and the Trustee Savings Banks', the Trustee Banks were still disposed to adopt a critical attitude. This attitude was intensified when it was found that the Trustee Banks, the oldest thrift institutions, were not to be represented on the Committee, which included four representatives of the Savings Committee and the Comptroller and Accountant-General of the General Post Office. Evidence was given to the Committee on behalf of the Trustee Banks by Sir Thomas Jaffrey of Aberdeen and Mr. Walter Cobbett of Manchester. The former reiterated in no uncertain terms his view that Savings Certificates, offering a relatively high return with the added attraction of immunity from income-tax, required no propaganda to ensure their popularity and that only a small percentage of the Certificates sold had been purchased by the small investor.

'Immeasurably greater results would have been obtained if a general thrift propaganda had been undertaken, making use of the Post Office and the Trustee Savings Banks as essential parts of the

machinery. Under such a scheme voluntary Savings Associations and Penny Banks might have played a most useful part, devoting their energies to the task of collecting savings, while leaving the contributor full freedom of action as to the investment of his contributions.'

The Sub-Committee, which was investigating this part of the remit, took considerable trouble to answer Sir Thomas Jaffrey's thesis. It found that 13 per cent. of the aggregate sales of Savings Certificates had been made through Savings Associations and estimated that at least half of the 575,436,093 Certificates sold up to 31 March 1922 had been bought by those classes of the community for whom this form of saving was designed. 'Our considered opinion, after a careful examination of all the evidence placed before us, is that Savings Certificates have proved to be an investment both acceptable in form to the small investor and extraordinarily well designed to secure the setting aside and accumulation of small savings.' They held that Savings Certificates and savings bank deposits should be complementary and not competitive forms of investment. Having decided to recommend that Savings Certificates should continue to be issued by the Treasury, they went on to consider the future propaganda of the Savings Committees. They suggested that the great new thrift publicity organization built up during the war should now be used not only to continue to develop Savings Certificate groups but to assist the Post Office Savings Bank, particularly in establishing penny banks as an alternative to such groups. 'We suggest that the most suitable medium for the accumulation of savings likely to be required within a comparatively short period, or when facilities for periodical withdrawals are necessary, is a Savings Bank; more permanent savings can with advantage be invested in Savings Certificates.' All this was a big step in the right direction, but the Committee did not see its way to bring the Trustee Savings Banks into the national movement. The reason given for treating them differently from the Post Office Savings Bank was that they were all independent bodies, each in control of its own administration and not under unified direction. Accordingly the Committee advocated increased co-operation on a local basis. 'We see no reason why this extension of co-operation should not become effective once it becomes clearly understood that the aim of the

Savings Committees is not mainly to sell Savings Certificates, but to promote thrift by whatever means may seem to them and to the Savings Banks working together to be most suitable.'

Soon after the Montagu Report was published in March 1923, an effort was made by Sir John Sandeman Allen, M.P., to get both sides to implement the recommendation about extended co-operation. At first there seemed to be good prospects of a closer working arrangement, but eventually the negotiations broke down. There were probably faults on both sides; the Trustee Banks were still critical of Savings Certificates and many local Savings Committees could not adjust their minds and methods to general thrift propaganda as distinct from Savings Certificate propaganda. Sir William Schooling, a vice-chairman of the National Savings Committee, took an active part in the discussions and was one of those who were most active in the following years in building a bridge between the two movements.

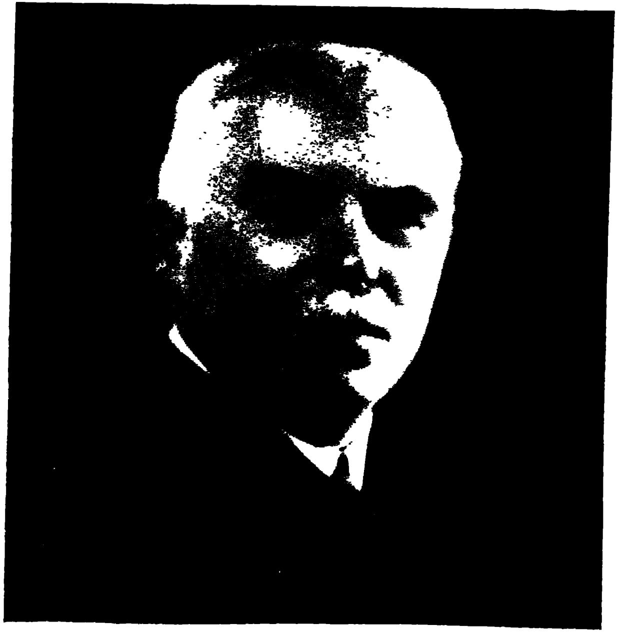
In 1925 Mr. Cecil Lubbock was asked by the Treasury to preside over another Committee on National Savings Certificates. Although its terms of reference were confined to the consideration of Treasury policy on the expiry of the ten years' term of the first issue of War Savings Certificates, the question of co-operation between the country's thrift organizations was again discussed. The Trustee Savings Bank witnesses on this occasion were Mr. Thomas Henderson of Glasgow and Mr. Cobbett. Mr. Henderson, after referring to the unfortunate breakdown of the 1923 negotiations, expressed the personal opinion

> 'that it is not in the best interests of the country that the various savings organisations of the country should carry on their great work without regard to the effect which one system may have upon the other. It may be that this period, when the Savings Certificates begin to mature, may afford the opportunity of a real co-operation between these organisations, and that a conference between the various bodies concerned may, at this stage, result in some proposals being made which may be for the ultimate benefit of thrift'.

The Lubbock Committee did not make any recommendation on this point, but this gesture by the actuary of the largest Trustee Savings Bank was significant. The question of co-operation once more began to be discussed by the leaders of the

SIR WALTER P. COBBETT, C.B.E.

Deputy-Chairman, Trustee Savings Banks Association, 1928–35
Vice-President since 1935



THOMAS HENDERSON, C.B.E.

Actuary, Savings Bank of Glasgow, 1924–35
Hon. Treasurer, Trustee Savings Banks Association, 1926–9
Hon. Secretary, 1929–35

organizations affected. The Lubbock Committee recommended that holders of the first issue of Certificates should be allowed to continue holding them and to receive interest on them at a rather lower rate; and that opportunity should also be afforded for the conversion of these Certificates either into a new form of savings bond or 4½ per cent. Conversion Loan (1940–4). In other words, the popular National Savings Certificate was to continue but was not in future to be so patently the favoured child of the Treasury.

While the Trustee Savings Banks were thus struggling to secure recognition by the State of their claims to participate fully in any national savings movement, they found that they were subjected to an indirect attack from another quarter. The municipal bank movement, started as we have seen by the impeccably conservative City Council of Birmingham, had found favour with a considerable section of the Labour Party. Some members of the Labour Party had indeed become enthusiastic propagandists for municipal banking. Town Councils, particularly those with a Labour majority, and municipal officials were assiduously canvassed and urged to seek parliamentary powers to establish savings banks under their own aegis. It was not only the encouragement of thrift which was proclaimed as an argument for municipal banks. Interest rates were still high and it was urged with some force that the rate-payers would benefit by their establishment. Depositors could be offered more than the State's 2½ per cent. and the Local Authority would secure money for its own development at considerably less cost than if it were borrowing in the open market. Another argument which carried much weight at this time was that municipal banks would encourage house ownership, by enabling the prospective purchaser to accumulate the initial deposit and then lending him the balance of the purchase price on reasonable terms. The success of the Birmingham Municipal Bank was an effective answer to doubters and a number of Members of Parliament of other Parties were known to be sympathetic, including, of course, that pioneer of municipal banking, Mr. Neville Chamberlain. The campaign won a good deal of support for municipal banking and brought it well to the fore as a subject for political controversy.

The Trustee Savings Banks were under no illusions as to the

serious nature of this challenge to their position as local savings banks. If a Town Council were to open a municipal savings bank alongside a Trustee Savings Bank, were to offer a higher rate of interest and use its huge financial and publicity machinery in support of its own venture, the outlook of the Trustee Bank might indeed be gloomy. Yet the old Trustee Banks had some very strong cards in their hands. They were providing considerable sums for the Treasury, sums which would merely be diverted by a municipal bank from the national to the local Exchequer. They were independently managed and free from any political influence, so that depositors knew that no other interest than their own security and convenience was ever considered by the trustees when investing the funds. Most of them had fine offices and a trained staff, which could only be rivalled at considerable expense and after long experience. They were very economically managed at about six shillings per cent. Many of them were already lending money at reasonable rates of interest to their own Town Councils through their special investment departments. They were, in fact, serving the dual interests of State and Municipality and at the same time giving satisfaction to an ever-growing body of depositors. Other criticisms of municipal banking came from those who saw a danger in Local Authorities 'borrowing short and lending long' and those who feared that, with more ready access to capital, some municipalities might indulge more freely their chronic tendency to extravagance and overspending.

The Glasgow Corporation was one of the first to discuss a municipal bank after the war, but a proposal put before the Council in 1920 was defeated. Swansea applied for parliamentary powers the same year and again in 1922 and 1927, but was refused on each occasion. Similar attempts by the Wigan, Tottenham, Stoke-on-Trent, and Bristol Corporations were equally unsuccessful. Members of the Labour Party framed an Enabling Bill which would have permitted any Local Authority with a population of 150,000 to open a municipal bank. The Bill was first introduced in 1923, but was rejected on second reading. It made many subsequent appearances without making any progress; nor did the Labour Government introduce legislation on these lines during its term of office. The question was, however, recognized to be of importance and

Mr. Winston Churchill, when Chancellor of the Exchequer in 1926, appointed the strong Committee already referred to, under the chairmanship of Lord Bradbury, 'to consider whether it is desirable to permit a further extension of Municipal Savings Banks and, if so, within what limits and subject to what conditions'. The Bradbury Committee examined many witnesses and did not issue its Report until January 1928. Mr. Thomas Henderson and Mr. Walter Cobbett again gave evidence for the Trustee Savings Banks and were rewarded by finding in the Report the striking tribute to the old banks which has already been quoted.[1] There is no need to recapitulate all the conclusions reached in a long and interesting Report. The success of the Birmingham venture was recognized and commended, but the Committee was definitely of the opinion that similar success could not be expected elsewhere. The arguments for and against municipal banks were fully and fairly set out and analysed.

> 'After very careful consideration of the whole position in all its bearings, we have come to the definite conclusion that in view of the present position of national finance the extension of Municipal Savings Banks within the next ten years would not be in the interests of the community as a whole, and that, even apart from questions of national finance, it is exceedingly doubtful whether the special incentive to thrift provided by such Banks is so great as to outweigh the risks involved.'

The Bradbury Committee's Report did not dispose of the municipal bank issue, but it greatly strengthened the hands of those who were of the Committee's view that the system of national finance upon which the Post Office and Trustee Savings Banks were based was preferable to the system of local finance which the establishment of municipal banks would involve. A few Corporations continued to press for powers to follow Birmingham's example and in two cases the powers were actually granted. One of these was at Cardiff, where the citizens had been deprived of the advantages of a local savings bank since the deplorable crash of the old bank in 1888. The other was at Birkenhead, where there was a branch of the Liverpool Trustee Savings Bank. The new regulations for conducting municipal banks under these parliamentary powers, framed by the Treasury

[1] See p. 335.

largely on the Bradbury Committee's recommendations, did not, however, appeal to the respective Town Councils. These regulations would have restricted the money available to the Corporation to 25 per cent. of deposits. Another 25 per cent. might be used for housing advances. Not less than 45 per cent. would have to be invested in government securities and 5 per cent. held as cash. No steps, therefore, were taken by either Council to exercise its powers to open a municipal bank. The last major attempt to extend municipal banking occurred in 1934, when the Sunderland, Glasgow, and Stoke-on-Trent Corporations decided to apply to Parliament for statutory powers. In the first two places there were flourishing Trustee Savings Banks in existence. The promoters, therefore, had no strong case to support the contention, which carried so much weight in Birmingham, that there was need of increased savings facilities and that the establishment of such banks would encourage thrift. Nor was there likely to be any relief to the ratepayers at a time when Corporations could borrow at a fraction over 3 per cent. In any event, the principle that savings banks should be conducted solely in the interests of the depositors and not primarily in the interests of the borrower was a powerful argument against the cheaper borrowing theory. The advocacy of municipal banking at a time when conditions were certainly not favourable to such a development was undoubtedly more influenced by political theories of the control of finance than by any interest in thrift. The propositions of the three Town Councils met with such strong opposition in Parliament and outside that they had to be dropped. During the succeeding years Town Councils and their officials have come increasingly to appreciate that their reasonable desires that some part of local savings should be made available for local development can best be realized through closer relations with the local Trustee Savings Banks and their special investment departments. We may notice here that a number of Corporations, mainly in smaller Scottish burghs, opened municipal banks during the thirties without parliamentary authority by registering them under the Companies Act. Such company banks, however well managed by the Corporation officials, appear to have most of the disadvantages and few of the advantages of municipal banks of the Birmingham type.

The Birmingham Municipal Bank has continued to make spectacular progress and before long became the second largest local savings bank in the British Isles. It was soon found that there were many problems common to both movements which made it desirable to have regular interchange of opinion. Joint action was taken in regard to income-tax questions in 1924 and some years later a Joint Committee[1] was established, representative of the Birmingham Bank and the Trustee Savings Banks Association, which has greatly strengthened the friendly relations and understanding between the two types of local savings bank.

This digression on municipal banking has carried the story some years beyond the Bradbury Report. The findings of that Committee had two other reactions of the first importance to the old savings banks. The Committee did not confine itself to a complete vindication of the structure and record of Trustee Savings Banks, but suggested that 'it should be made easy, by legislation if necessary, for new Trustee Banks to be opened in places where they do not already exist'. Secondly, it strongly supported the Montagu Committee's recommendation of greater unification of effort between the Trustee Savings Banks and the National and Scottish Savings Committees. Both recommendations soon bore fruit. In 1929 negotiations were reopened between the National and Scottish Savings Committees and the Trustee Savings Banks Association. An understanding which would substitute co-operation for competition in promoting savings in schools was the most urgent need. The way to agreement was made easier by the acceptance by the Savings Committees of two of the views enunciated in the 1923 Montagu Report—that the savings bank account is usually the most suitable medium for the accumulation of the first few pounds of children's savings, and that, as a rule, penny banks formed within the area of a Trustee Savings Bank should be affiliated to that bank rather than to the Post Office Savings Bank. The agreement which was finally reached in 1930 provided for joint schemes in schools, giving facilities both for

[1] This Committee was the outcome of discussions in which Sir John Chancellor, then chairman of the Trustee Savings Banks Association, Mr. Lawton of York, and Mr. Hilton of the Birmingham Municipal Bank took the principal parts.

savings bank deposits and the purchase of Savings Certificates. A Joint Committee was set up to work out details of the schemes and to settle any differences which might arise. One of the Joint Savings Schemes, launched in 1930, was on the lines of the old penny banks in which the children's savings were paid in to the teachers and banked by the teachers with the local savings bank. When the small savings of each scholar had reached the appropriate sum, they were transferred either to a savings bank account in his own name or used to buy a Savings Certificate for him. The other scheme was similar in principle but involved the use of Savings Stamps. These stamps were bought by the children and stuck on a card or book until they added up to the amount which enabled them to exercise the same option.

It was natural that the deliberations of this Joint Committee should involve consultation with representatives of the Post Office Savings Bank. Before long the Post Office became recognized as part of the Joint Committee to the advantage of all concerned. A notable development occurred in 1934. Both the Post Office and the Trustee Banks had joint stamp savings schemes with the National and Scottish Savings Committees. It was doubtless a natural step forward to substitute for these separate schemes the single and now familiar National Savings Stamp Book, which enables its holder to choose between Post Office Savings Bank and Trustee Savings Bank deposits or the purchase of National Savings Certificates. Now for the first time the Trustee Banks were really actively co-operating not only with the National Savings Committee, but with the Post Office Savings Bank. Now for the first time the title 'National Savings Movement' began to be used to signify the three co-operating but independent organizations. That the transition was made so easily was due to the excellent handling of the negotiations by the leaders of the three movements.

It is unnecessary here to describe in detail the many methods of promoting thrift which have since been adopted under these joint auspices—National Savings Clubs to take the place of the loosely managed slate clubs, holiday and Christmas clubs which too often had brought loss to their members, transfer-from-pay schemes for encouraging saving in places of employment, and many others. Co-operation is still in its early stages, but has come to stay. Joint schemes soon became the rule

rather than the exception. When the Second World War broke out, it was clear that the maximum results of a War Finance Campaign appealing to the small saver could only be achieved if equal prominence were given to the special attractions of each form of saving. Thanks largely to the work of the Joint Committee,[1] the machinery was ready for the greatest Savings Campaign yet known to history.

This story, however, is not so much concerned with the general thrift structure built up throughout the country by many organizations and brought to a remarkable degree of completeness and efficiency in recent years. Its purport is to follow for a few more years the fortunes and progress of the Trustee Savings Banks. From this angle the most significant paragraph in the Bradbury Report was the one recommending that it should be made easy by legislation to open new Trustee Savings Banks. For, while the existing banks had almost all made good progress since the 1904 Act and parts of the country were becoming intensively developed, there were still large and populous areas where no Trustee Savings Bank existed. Many of these districts were remote from any established Trustee Bank, so could not hope to be provided with savings bank facilities by normal branch extension. Besides, their local pride could hardly hope to be satisfied with anything less than a Trustee Bank of their own or a Municipal Bank. To start a savings bank *de novo* in the first half of the twentieth century was in many ways a much more formidable task than that which faced the pioneers. The old plan of securing a few subscriptions from patrons and starting operations in a small room with a part-time and poorly remunerated staff was clearly no use. Success demanded a well-equipped and reasonably central office, considerable publicity, and a fully-trained staff. In other words, it demanded capital—not vast sums, but perhaps a thousand pounds or so for equipping a shop and for initial publicity and a few hundreds a year for an indefinite number of years toward expenses of administration until the bank became

[1] The Trustee Savings Banks were represented on the Joint Committee during the first few years by Mr. Lawton of York, who had played a large part in drafting its constitution and has remained a member ever since, Mr. Thomas Henderson of Glasgow, and Mr. Oliver Horne, secretary of the Trustee Savings Banks Association.

self-supporting. It is true that a few new Trustee Banks had been successfully started in small or medium-sized Scottish burghs during the twentieth century. But the cities and towns in England in urgent need of a local savings bank were a different proposition. The failure to start one in Birmingham in 1912 has been mentioned.[1] In 1923 a similar move in Bristol was equally unsuccessful.

How was the necessary capital to be provided? The old banks did not have to look far for an answer. For it had long been a grievance that the surpluses of those Trustee Banks which had closed after the establishment of the Post Office Savings Bank had since lain dormant at the National Debt Office and served no useful purpose except as part of a guarantee fund now quite adequate without them. This hidden reserve amounted to about £200,000. It could only be released by Act of Parliament. The Bradbury Committee had given the signal. The Trustee Banks set about to ensure that the opportunity was not lost. The way was almost clear for the Act of 1929. One essential preliminary step, carried through in 1928, was the incorporation of the Trustee Savings Banks Association as a Company limited by guarantee, so that it could be given statutory duties and responsibilities in connexion with the opening of new banks and in other ways. The next step was to obtain agreement among the banks on other proposals for a forward movement which would require legislation. For no general extension of powers had been granted for twenty-five years. Suggestions for development had been pouring in thick and fast, as a result of the more active policy pursued by the Trustee Savings Banks Association. A new spirit of enthusiasm for the spread of the old savings banks was animating the trustees and officers all over the country. The best evidence of this is to be found in the replies of the banks to a questionnaire drawn up in January 1926, as a result of a memorandum on the development of the Trustee Savings Bank system prepared by Mr. W. A. Barclay, actuary of the Perth Savings Bank. The replies show that the banks were engaged in reviewing every aspect of their work. Some advocated very greatly extended powers, such as cheque facilities, authority to make loans to depositors, life assurance departments, services on behalf of Local Authorities,

[1] See p. 320.

the introduction of safe deposit facilities, and so on. Few of these proposals secured unanimous support. The general mood was still cautious and conservative. But there were many banks ready and willing to experiment and reluctant to be tied by statutory restrictions imposed under different conditions. The greatest common measure of agreement was extracted from a study of the replies and subsequent discussions by a special Development Committee of the Trustee Savings Banks Association. This Committee owed much to the wise and long-sighted views of Mr. Noel Griffith, a barrister then in the service of the London Savings Bank, who had been urging since 1924 the importance of an active policy of development and of a full-time central office in London to bring such a policy to fruition. Definite proposals were put before Mr. Maurice Headlam, the new Comptroller-General of the National Debt Office, in 1927. He showed at that time and throughout his term of office a sympathy with the aspirations of the banks and an interest in their history and progress which were of the greatest value to the movement.

When, therefore, in 1929 the Trustee Banks obtained their chance of further legislation as a result of the Bradbury Committee's Report, the opportunity was taken of securing several much-desired reforms.

Section 7 of the 1929 Act carried out the Bradbury Committee's recommendation that it should be made easier to start new Trustee Savings Banks. It gave power to the National Debt Commissioners, after consultation with the newly incorporated Trustee Savings Banks Association and the Inspection Committee, to make advances for the purpose out of the surplus funds standing to the credit of closed savings banks. The terms on which such advances were to be made were left to be settled by the Commissioners. It was made permissible for such new banks to open special investment departments from the first, although previously a minimum of £200,000 cash deposits in the ordinary department had been regarded as an indispensable preliminary to such action.

Section 9 met the desire of the banks for powers to extend their services. Subject to the consent of the Commissioners, given after consultation with the Association and Inspection Committee, banks were to be allowed to undertake any business

which was 'of a nature ancillary to the purposes of the bank and calculated to encourage thrift and within the financial capacity of the bank'.

These were probably the outstanding provisions of this Act, but there were many other useful clauses. Section 1, for instance, which for the first time permitted the trustees to cover in a single bond of a guarantee society their risk of loss from the infidelity of employees, may be said to have stopped the last hole in the elaborate structure safeguarding depositors from such a loss. For it led to the introduction of a new type of collective fidelity bond providing for a large floating cover, on which the trustees could fall back if the individual cover proved insufficient in any case of defalcation. The second Section of the Act prevented trustees from closing a bank without the consent of the Commissioners, who could not give such consent unless they were satisfied, after consultation with the Association and Inspection Committee, that there were no proper persons willing and able to carry the bank on. This was a useful provision, as several good Trustee Banks had been closed even during the twentieth century owing to a lack of spirit among the surviving trustees. Since the 1929 Act no Trustee Savings Bank has closed. Another Section removed an outworn statutory restriction under which more than one account could not be opened by any depositor in a Trustee Savings Bank. Many depositors naturally wished to keep separate accounts for different purposes—holidays, rates and taxes, old age, education. Purpose saving was beginning to be advocated in Britain, though more had been done to popularize it in the United States. Since the 1929 Act, the practice of opening multiple accounts has become common. This statute also removed the ban which had hitherto prevented any person from opening accounts in both the Post Office Savings Bank and a Trustee Savings Bank. An attempt in Standing Committee to carry this principle a stage farther and allow a depositor to open accounts in more than one Trustee Savings Bank was not successful. The Treasury was afraid that such a step would lead to widespread evasion of limits of deposit. It is doubtful if there was much basis for such fears and the Act left the anomalous position that a depositor living in one town and working in or visiting another could operate on a Trustee Savings Bank account in both places if the same bank happened to have

offices in each town, but not if different Trustee Banks were involved. It took over ten years to discover a means of overcoming to some extent this disadvantage through a system of 'agency accounts'.

The 1929 Act also extended the powers of investment of special investment department funds. The disappearance of the short term treasury bond had deprived the banks of the most suitable marketable security for the investment of such funds. Some substitute had to be found, if sufficient liquidity were to be ensured. By allowing up to 20 per cent. of the funds of special investment departments to be invested in government securities maturing within twenty years, the 1929 Act eased the position. By a later Act of 1934 the period of maturity was extended to thirty years[1] and the range of marketable securities was widened by the inclusion of certain government guaranteed securities and corporation stocks.

The increase of the maximum government annuity purchasable by an individual from £100 to £300 was another outcome of the Act, but one which did not result in any marked increase in the volume of annuity business. The only other provision which calls for comment was one which greatly improved the position of the staffs of the Trustee Banks on retirement and of their dependents on death. Superannuation grants and allowances and death benefits on approximately the Civil Service scale were made permissible, provided they were within the financial capacity of the bank and approved by the trustees and Inspection Committee. Salaries and conditions of employment of bank staffs had been improving steadily and, with the new provision for superannuation and the growth of funds and offices, savings banking became a career with sufficient prospects to attract the right type of young man. As the greatest asset of the Trustee Banks was their tradition of personal service to depositors, the recruitment and training of the personnel was all important. It was a generous and far-seeing gesture of Sir Thomas Jaffrey in 1925 to hand over to the Trustee Savings Banks Association a capital sum to endow a permanent Prize Fund for annual examinations and competitions among young savings bank officials.

The 1929 Bill aroused little controversy in Parliament. Gone

[1] Extended again in 1945 to 40 years. See p. 367.

were the days when savings bank legislation raised heated debates in the Commons. There were interesting discussions in the Committee stage in both Houses and there were unsuccessful attempts by Mr. Pethick-Lawrence in the House of Commons and Lord Arnold, Lord Reading, and others in the House of Lords to persuade the Government to raise the rate of interest to savings bank depositors to 3 per cent. On this occasion the Government not only defended the 2½ per cent. rate on the ground that it was guaranteed in good years and bad, but pointed out that Trustee Banks could offer higher rates through their special investment departments. The opposition did not press their amendment. The general feeling of Members seemed to be, 'Here is a Bill which the savings banks want. Let us give them the opportunities they are seeking without jeopardising a useful measure by raising controversial issues.' The Act came into force on 21 November 1929.

The same year witnessed the holding of the Second International Thrift Congress in London. This Congress did much to impress on the public and particularly on those in authority in London the huge dimensions to which the movement started by Dr. Duncan and the early pioneers had grown. The Congress was organized by the Trustee Savings Banks and its success owed much to the labours of Sir Spencer Portal, as chairman of the Organizing Committee, Mr. Thomas Henderson of Glasgow, and Mr. Thomas Robinson, actuary of the Finsbury Savings Bank. An International Thrift Institute had been established in Milan in 1924, to which a large number of savings banks in Europe and some in America, Asia, and Australia had become affiliated. Through the energy of its director, Professor Filippo Ravizza, a gifted economist and linguist, it had already done useful work in collating information and promoting the interchange of facts and suggestions about savings bank methods and procedure throughout the world. A magazine *World Thrift* was published in French and English and many countries agreed to a proposal to set aside one day in the year as 'World Thrift Day'. The International Council, which directed the proceedings, recognized the outstanding pioneer part played by Great Britain in developing the savings bank movement and gladly accepted the suggestion that the 1929 Congress should be held in London. The proceedings of this Congress and of the

First Congress in Milan and the Third Congress in Paris in 1935 can be studied in voluminous reports. The significance of the London Congress to the Trustee Savings Banks lay not so much in the papers read and resolutions passed as in the pride of place accorded to the old savings banks of the British Isles in a large international gathering. Trustee Savings Banks were still little known in London, where their activities during the twentieth century had been on a comparatively small scale. Never in their long history had they received so many distinguished testimonials. His Majesty King George V became Patron of the Congress. Prime Ministers and Chancellors of the Exchequer, past and present, became vice-presidents. The Prince of Wales was principal speaker at the Guildhall banquet.

'The Trustee Savings Banks', he said, 'were formed many of them before 1820 and they are still, like the familiar figure on our hoardings, "going strong". They claim our gratitude and respect. They were the forerunners of thrift institutions. They pointed the way, and when it became a question of holding this International Meeting in London, they again took the first place. They have the special merit of local appeal and it is a good thing amid the great amalgamations of to-day that we have still been able to retain through them the personal touch between the bank and its depositors which has always been a marked feature of their work.'

These words and other equally flattering tributes by Mr. Philip Snowden, Chancellor of the Exchequer, and Mr. Clynes, Home Secretary, were not only listened to by 432 delegates from 26 countries but were subsequently read in the daily newspapers by many people who had never heard of Trustee Savings Banks or had no idea of their history, growth, and the influence they exercised in other parts of the country.

The year 1929 may be said to have opened the modern era of the Trustee Savings Banks. The banks remained independent institutions relying for their success on local service and enterprise. But from this time their advance and general policy was to a far greater degree based on mutual agreements reached at meetings of the Trustee Savings Banks Association and in consultation with the National Debt Commissioners, the Treasury, the National and Scottish Savings Committees, the Post Office Savings Bank and other thrift institutions. In 1930 the Trustee Banks set up a London office for their Association and appointed

a permanent staff. A Gazette was issued, followed in 1934 by a Year Book. Central publicity was organized. Facilities for exchange of information were made easier and more efficient. Contact with government departments, banks, Members of Parliament, the Press, and others interested in thrift became a normal part of the Association's routine. Developments such as these, important as they were to the future of savings banks, do not call for detailed description. But this brief account of the important years between the wars cannot be concluded without some reference to the steps taken to make use of the two important provisions of the 1929 Act—those relating to the formation of new savings banks and the undertaking of 'ancillary services'.

Nothing better illustrates the vitality of the Trustee Savings Bank Movement during the thirties than the success which attended the efforts of the old banks to start new banks in large communities. Nothing of the kind had been attempted for nearly a century. New branches of old savings banks had certainly been started with success in large towns, but no one could say whether a new Trustee Savings Bank with no resources could build up a strong enough connexion in highly competitive surroundings to stand on its own feet, or at least to become self-supporting within a reasonable period. Nor could anyone forecast to what extent the prominent citizens of a large city or town would be as willing as they were in the early part of the nineteenth century to undertake the management of a local savings bank in a purely honorary capacity. The Trustee Banks knew that much depended on the extent to which they showed themselves willing and able to act on the recommendation of the Bradbury Committee. They were full of confidence and their confidence was well founded. In no case did their efforts fail. Progress at first was slow, but success was never in doubt.

It was decided to start in Hampshire, where the only surviving Trustee Bank was George Rose's old bank at Southampton, now a branch of the London Savings Bank. It was Sir Spencer Portal's native county and to him belongs the largest share of the credit for the opening of the first two banks under the Act at Bournemouth and Portsmouth in 1930 and 1931. The keen interest and encouragement of Mr. Maurice Headlam at the National Debt Office helped to overcome many obstacles. At Bournemouth the local initiative came from the late Dr. John

Hartley, the chairman of the Bournemouth Council of Social Service. At Portsmouth, the Lord Mayor, Sir Harold Pink, formed the first body of trustees and managers. Soon afterwards the active direction of the policy and expansion of the activities of the new Portsmouth Savings Bank devolved on Admiral L. A. B. Donaldson, whose name has become more closely connected with the movement to open new Trustee Savings Banks than that of any other person. Few trustees in the long history of the movement have devoted more time and energy to making a success of their own bank and to spreading knowledge of Trustee Savings Banks elsewhere.

It was estimated that the assets of that part of the Separate Surplus Fund which were available for this purpose would be sufficient, in the first instance, to finance the establishment of twelve new banks. The field for development was large and the places chosen were carefully selected. The Wolverhampton Savings Bank was the third to open, with the active help and under the chairmanship of Sir Charles Mander, Bt. The university cities of Oxford (1933) and Cambridge (1935) were early choices. Staffordshire, which had no survivor of the many Trustee Savings Banks started in the county in the nineteenth century, was able to re-establish banks in Walsall (1934) and Stoke-on-Trent (1936). Nearer London, the places chosen were Luton (1933), Ilford (1935), and Croydon (1935). Northampton, a stronghold of building societies, opened a Trustee Savings Bank in 1934. Most significant of all was the decision to start a Trustee Bank at Cardiff, the scene of the greatest calamity in savings bank history and a city which possessed parliamentary powers to open a municipal bank. The Cardiff Trustee Savings Bank, opened as recently as December 1937, was at once successful and within seven years could record the accumulation of over £1 million of small savings.

These new banks started business in a modest way. They could not afford large central premises. Their entire staff in early days usually consisted of a young actuary and a still younger clerk. They had little margin for publicity, though some of the old banks later helped them in this way. They were operating in districts where, for the most part, Trustee Savings Banks were little known. It was thought that it might well be ten years or more before any of them could boast funds of a

quarter of a million pounds. Yet within fifteen years of the passing of the 1929 Act, these twelve new banks had twenty-eight offices and £17 millions of funds. It was a remarkable vindication of the old trustee system and the tradition of the personal touch in saving. Only the outbreak of the Second World War delayed the extension of the movement to other places as yet without a local savings bank.

Possibly the most significant fact which emerged from these years of effort to open new savings banks was the suitability to modern conditions of the old system of management by honorary local Boards of Trustees. In no case was there real difficulty in persuading the leading citizens to undertake the work. The Committees of Management were representative of the best and most respected members of the local community drawn from many different spheres—town councillors, lawyers, clergymen, professors, business men, shopkeepers, representatives of labour, and (a new development in savings bank boards) women. Without the experience and traditions of the boards of old-established banks, these new boards, by their enthusiasm and keenness, have already contributed much of real value to the movement and to the cause of thrift. Trustee Savings Banks do not yet completely cover the country, but there seems every likelihood that all large centres of population will before long have at least one such office. At the outbreak of the Second World War in 1939 there were 700 such offices controlled by ninety-nine independent banks.

The development of savings banks services under Section 9 of the 1929 Act was less spectacular. It was not intended that new services sanctioned under this clause should introduce radical changes in the functions of savings banks. The clause, according to Lord Templemore, the government spokesman in the House of Lords, was designed to facilitate small developments of savings bank service, 'not to allow Savings Banks to embark on what may be termed general banking business', for which the specific authority of Parliament would be necessary. Safe custody of depositors' securities and valuables was clearly a natural 'ancillary service', for few small depositors had even moderately safe and private accommodation at home for their Stock Certificates, Wills, Conveyances, and other important records. Many of the larger banks had already accepted

custody of these, but the 1929 Act regularized this gratuitous service and permitted its expansion on a large scale. No Trustee Banks, however, have as yet followed the example of the Birmingham Municipal Bank and installed safe deposit boxes to be rented at a fee. Another natural development for institutions so closely linked with Local Authorities was the collection of rates and other Corporation accounts. The Edinburgh Savings Bank was the first Trustee Bank to undertake this service, which was available to any ratepayer, whether a depositor or not. This convenient method of paying municipal accounts was very extensively used there and elsewhere, though many banks confined the facilities to those who had accounts. A few banks printed 'Thrift Stamps' and instituted special Stamp Schemes for use mainly by employees of firms for regular purpose saving. A more unusual arrangement sanctioned as an ancillary service was the issue to depositors in certain banks of railway tickets. By arrangement with the Railway Companies the banks were able to allow a discount of 5 per cent. on the ordinary price of tickets and the Companies and banks jointly advertised this 'Save to Travel' attraction.

A special Committee of the Trustee Savings Banks Association was set up in the middle thirties to discuss the introduction of further new services. The demand for yet another Act of Parliament to enable the old savings banks to keep abreast of modern conditions was becoming insistent. A Bill was actually drafted, but meanwhile the dark clouds of Hitlerism were too obviously threatening to break and the thoughts of those responsible for the management of the banks had to be diverted to the best means of assuring that their ancient structure, which had survived so many storms, was ready at all points to meet the greatest cataclysm of all.

Chapter XVIII

THE SECOND WORLD WAR

TRUSTEE SAVINGS BANKS IN 1945

MODERN war, the most egregious of spendthrifts, is the greatest known stimulus to personal saving. Expenditure on personal enjoyment and even personal comfort is cut down to a minimum, partly through controls on individual liberty to spend as one pleases and partly through response to patriotic appeal. At the same time, individual and family incomes grow out of all knowledge. Production is increased to the limit of capacity. Unemployment virtually disappears. More and more people become wage-earners. Those who would normally have retired from work through advancing years continue in employment or are brought back to help meet the ever-growing demands for labour. Married women and those single women who do not usually undertake duties outside the home are persuaded or compelled to become wage-earners. The hours of night as well as day are filled with remunerative work and duties. Overtime payments swell the wage-packets. Wages themselves tend to rise to higher levels. Such a rapid rise in national income provides all the material for violent and progressive inflation and the Government is bound to keep it in check by imposing more and more controls of prices, rationing of articles in short supply, and heavy taxation. But this is not enough. People must be persuaded to save as much as possible of the incomes which remain after they have paid their taxes and essential expenditure and lend it to the Government for war purposes.

These features were not new in 1939, for most of them had been conspicuous in the First World War. But many lessons had been learnt as a result of the earlier war and the Government was better prepared to face what proved to be an even longer and more strenuous conflict. The extent of the problem and of the opportunities it opened up to the savings banks can be seen from a few figures. It has been officially estimated that the 'private income' of the whole community rose from

£5,063 millions in 1938 to £9,018 millions in 1944.[1] Of this enormous increase of nearly £4,000 millions the State took about half in taxation. It was the task of the National Savings Movement, of which the Post Office and Trustee Savings Banks formed integral parts, to see that as much of the balance as possible was saved.

This was obviously a huge task and it is not surprising that, at the beginning of the war, when the dimensions of the problem were only beginning to be appreciated, there were many experts, including Mr. J. M. Keynes, who openly expressed doubts as to whether the huge borrowings needed to finance total war could be raised by voluntary means. Sir Kingsley Wood, however, as Chancellor of the Exchequer, decided to give the voluntary savings movement every chance to show what it could do. Compulsory saving was rejected, apart from that modest instalment represented by Post-War Credits, introduced in the Finance Act of 1941 as a small recompense for the reductions in income-tax allowances. The inauguration of a great voluntary Savings Campaign on 22 November 1939 put the Savings Committees and Savings Banks on their mettle as never before.

The Chancellor of the Exchequer announced at the outset that he proposed to ask the small saver to help the war effort in three ways—by buying National Savings Certificates, by buying 3 per cent. Defence Bonds, and by depositing in the Post Office or Trustee Savings Banks. It is significant that, so far as the small saver was affected, the three methods recommended at the outset remained unchanged throughout the war. There are two main contrasts between the Treasury policy in the Second as opposed to the First World War and these both have a bearing on the history and development of the savings banks. There is the contrast in the rates of interest at which the Treasury was able to borrow and there is the greater prominence given to savings bank deposits as a means of lending money to the State.

It was obviously the wish and intention of the Government that rates of interest should remain low and not increase to the level reached in the later stages of the earlier conflict. There was no general belief on the part of the public that a period of low

[1] Budget White Paper, 1945.

interest rates was compatible with total war. But the Treasury was not influenced by the substantial fall in market prices which followed the outbreak of war in September 1939. When the terms to be offered to small savers were made public in November of that year, it was made plain that the Government did not propose to offer more than 3 per cent. for the savings it so urgently needed. The policy was entirely successful. Not only was the huge borrowing programme carried through at rates of interest varying from less than 1 to little over 3 per cent., but the terms at which the Treasury borrowed slightly improved as the years passed.

Of the three methods of appealing to the general public, the National Savings Certificate showed a yield of £3. 3*s*. 5*d*. per cent. over the whole ten-year period for which it was issued; the 3 per cent. Defence Bonds earned a bonus of 1 per cent. at the end of seven years,[1] and savings bank deposits still earned 2½ per cent. So the three alternatives were well in line with each other, except that the privilege of exemption from income-tax peculiar to Savings Certificates gave them an obvious attraction to the income-tax payers, now greatly increased in number owing to rising incomes and lower limits of exemption, and subjected to the heaviest rate of tax known to history. Though the State was, in effect, paying £6. 6*s*. 10*d*. per cent. to those purchasers of Savings Certificates who were liable to tax at 10*s*. in the £1, the retention of the limitation, under which not more than 500 15*s*. Certificates could be beneficially owned by any holder, prevented excessive advantage being taken by the large investor of this concession. The Chancellors of the Exchequer consistently resisted demands for the extension of this limit in the case of 15*s*. Certificates, but in January 1943 the Treasury announced the issue of a new £1 Savings Certificate with the tax-free yield of £1. 8*s*. 2*d*. over a period of ten years.

The 3 per cent. Defence Bonds had certain new features which are worth recording, because they showed a growing understanding of the psychology of the small investor. Early in the war representatives of the Trustee Savings Banks, through their Association, had urged the need for a new government security which should be free from any risk of a fall in value and

[1] This was altered to ten years for Bonds taken up on or after 1 September 1941.

should be easy to buy and sell in small units. The small investor could not afford either to tie up his money for long periods or to risk a loss of capital in the event of a fall in market rates. The terms on which the 3 per cent. Defence Bonds were issued showed that the soundness of these views was acknowledged by the Treasury. The provisions by which the Bonds could be encashed at any time in £5 units on six months' notice without loss of capital and would be immediately repaid, in case of urgent need, subject to a deduction of six months' interest, were novel and sensible. Defence Bonds never won the general popularity of Savings Certificates or savings bank deposits, but they raised very substantial sums. Over £800 millions Defence Bonds were sold during the war and encashments, up to the end of 1944, were not more than 4 per cent. of sales.[1]

Three per cent. was also the rate of interest offered on the War Loan of March 1940 and on the various series of Savings Bonds, all of which could be held on the Register of the Post Office and Trustee Savings Banks. As for the huge sums received by the National Debt Commissioners for the Post Office Savings Banks Fund and the Fund for the Banks for Savings, as a result of savings bank deposits, most of them were invested by the Commissioners in a special issue of 3 per cent. terminable annuities, not available to the general public. This maintained the income of these Funds, which continued to make substantial annual profits to the benefit of the Exchequer.

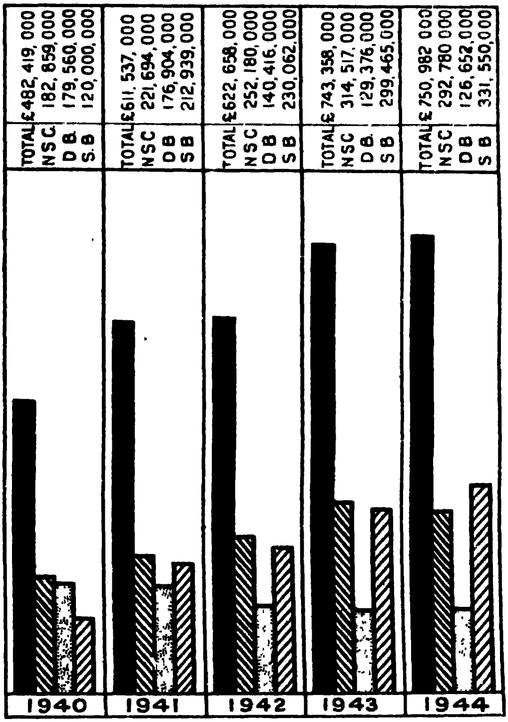
Of more immediate concern to the savings banks was the question of the emphasis to be placed on savings bank deposits as a method of bringing in money to the national Exchequer. During the 1914–18 war almost all the publicity had been directed to encouraging the public to buy the various war loans, bonds, and certificates, yielding from 4 to 6 per cent. Savings bank deposits, though a cheaper form of borrowing, were regarded as too unstable to serve as one of the major supports of a sound financial policy. In 1939, however, the position was different. The rate of interest on deposits was more in line with rates obtainable elsewhere. Two and a half per cent. for money

[1] The increases in the limit of an individual's holding of these Bonds from £1,000 to £1,500 on 15 September 1945, and £2,000 on 17 December 1945, gave a stimulus to their sales. The 3 per cent. issue was, however, withdrawn on 30 April 1946, and a 2½ per cent. Bond substituted.

withdrawable on demand was definitely attractive in a '3 per cent. war'. The savings banks were now full partners in the National Savings Movement. The Group Savings Schemes, on which most of the activities of the Savings Committees were concentrated, usually gave their members the free option of making deposits in a savings bank account or buying Savings Certificates. Moreover, the view that the greatest measure of saving would only be achieved if full prominence were given to the savings bank account as a means of contributing to the war effort was gradually finding acceptance. The willing saver and the keenly patriotic saver might indeed be relied upon to save in any way recommended by the Government of the day. But the reluctant saver, the suspicious saver, the inexperienced saver, would not lend to his utmost in support of the war unless his savings were easily accessible if he needed them. To such people, many of whom were now earning substantial incomes, the savings bank, the real nursery and training school of thrift, was likely to provide the most convenient and attractive method of saving.

Sir Kingsley Wood, who, as a former Postmaster-General, was well aware of the popularity of savings bank deposits, publicly announced at the outset of the Campaign that any increase in deposits in the Post Office and Trustee Savings Banks would be as helpful to the Exchequer as other methods of lending to the Government. This important declaration was naturally a great encouragement to the savings banks. It was also a very wise decision. Although official publicity was at first directed more to popularizing the sale of Savings Certificates and Defence Bonds, as the war progressed and the reaction of the small saver was observed, greater prominence was given to savings bank deposits. The 'small savings' figures for the first five years of the war show the growing popularity of deposits. The sale of Defence Bonds raised £179,500,000 in 1940 and the annual sales fell gradually to £126,600,000 in 1944. Sales of National Savings Certificates rose from £182,800,000 in 1940 to £314,500,000 in 1943 and then fell off slightly to £292,700,000 in 1944. The increase in balances due to depositors in the Post Office Savings Bank and Trustee Savings Banks was £120 millions in 1940 and rose each year to a maximum of £331,500,000 in 1944. The true comparison is rather more favourable to the

savings banks than these figures indicate, for the figures of Defence Bonds and Savings Certificates represent gross sales and do not allow for encashments. From the opening of the War Savings Campaign in November 1939 to the end of the



Graph showing the steady increase of small savings during five years of war and the increasing part played by Savings Bank deposits in the annual totals

N.S.C. Gross sales of National Savings Certificates
D.B. Gross sales of 3 per cent. Defence Bonds
S.B. Increase in deposits in the Post Office and Trustee Savings Banks

war (15 August 1945) the total 'small savings' raised by these three means was £3,651,869,779, made up as follows:

National Savings Certificates .	gross	£1,420,336,196
Defence Bonds . . .	gross	£835,284,642
Savings bank deposits . .	net	£1,396,248,941

No one could seriously maintain that the whole of this huge sum was added to the capital of those wage and salary earners

who used to be described by the savings bank pioneers as the 'industrious classes'. The phrase 'small saver' is almost impossible to define, particularly in days when there has been such a levelling up of lower incomes through increased earnings and levelling down of higher incomes through drastic taxation. When, however, it is recollected that one estimate in 1937 gave the total capital assets of the small saver as about £2,500 millions[1] if every form of personal asset and investment were taken into account, there can be no disputing the revolution in the ownership of capital which took place during a war in which the officially recognized 'small savings' amounted to over £3,650 millions. It might be a safe guess that the insured population more than doubled their capital in the six years.

Figures of open accounts may sometimes be misleading, but the Post Office Savings Bank showed an increase of over 7½ millions in the active accounts during the five years to 31 December 1944, to a total of over 19 millions. The Trustee Savings Banks during the five years to 20 November 1944 added 1,196,540 to the active accounts in the ordinary department, which at the last date numbered 3,686,230. Even allowing for the numerous society accounts and multiple accounts in the names of the same individual, an increase of over 8 millions in the number of savings bank depositors in five years is an important fact. There is little doubt that these new accounts were drawn from all classes. It is unfortunate that one can only conjecture how far the newcomers came from the ranks of the unskilled and semi-skilled, who had been the least responsive to savings propaganda before the war, partly, but not entirely, because of their lower wages in those days. Though the necessary data on which to test such assertions is not available, experienced savings bank officials agree that by 1945 the savings habit had spread for the first time in our history very generally over the whole community.

This is not to say that the spreading was at all even. The thrifty family and the unthrifty are always with us. If some of the latter became war-time savers, it is by no means certain that they will remain savers in peace-time. Mr. J. R. Fiddes, the experienced actuary of the Savings Bank of Glasgow, has estimated that 25 per cent. of the population do no long-term saving; but the number of homes without savings bank accounts

[1] Horne, *The Assets of the Small Saver*, 1937.

to-day is probably quite small, though women and children would be found to have a better record in this respect than men. 'Now and then', said the late John Hilton in the Sir Halley Stewart Lectures for 1938, 'I talk with the Managers and Actuaries of the Trustee Savings Banks. Excellent and knowledgeable men they are, but invariably they hold the view that the typical family is one with a good round sum laid by. . . . I understand this attitude, but they are wrong. . . .' It may be that the officials of savings banks take too optimistic a view of the prevalence of the saving habit in the country to-day. But it is difficult to credit the conclusion reached as a result of an investigation conducted in Leeds in 1942 under the auspices of the National Institute of Economic and Social Research.[1] The result of house-to-house visits, involving a random sample of Leeds homes, in which the housewives and breadwinners were questioned about their savings, was to suggest to the investigators that 44 per cent. of the families had no National Savings at all. 'Heavy saving', says the Report, 'will, on the average, tend to begin with a gross family weekly income of more than £6. 10*s*.' 'High savers are in a minority. . . . The less ambitious war savings of the majority of earners may disappear in a period of spending or in subsequent difficulties and emergencies. They will have no permanent effect on the distribution of wealth.' The truth of the last assertion has yet to be tested, but so far as the percentage of families with no war-time savings is concerned, the figure of 44 per cent. is almost certainly too high. This is probably due partly to the facts that the sample taken was a small one (one in sixty families) and that the date (1942) was too early to show the full effects of the changes brought about by the war; but even more to the existence of a 'strong factor of concealment', natural in personal money matters and admitted by the investigators. The survey does, however, serve to remind the present-day advocates of thrift that there is plenty of scope for their future activities.

Not only were there many more savings bank depositors at the end of the war, but, as a cross-section of the community, they were wealthier. If the large number of small inactive accounts of under £1 are disregarded, the average ordinary department account was approximately £22 in 1919, £61 in 1939, and £111

[1] Charles Madge, *War-Time Pattern of Saving and Spending.*

in 1944. If one adds the holdings of the 348,000 special investment depositors and the 226,000 owners of government stock on Trustee Savings Bank Registers, the average capital per depositor in 1944 was £161, and even then no account is taken of the unknown but very considerable amount of Savings Certificates which made up the 'National Savings' of that useful abstraction known as the 'average saver'. This improvement has been due not so much to the attraction to the savings banks of the higher income classes as to the strengthening of the position of those who would formerly have been regarded as forming the broad base of the social pyramid. A worker in industry who agreed to transfer 10*s*. a week from his earnings to the savings bank—a not uncommon sum—found after four years that he had over £100 to his credit. School-children, who before the war often with difficulty accumulated through the school penny bank £3 or £4 in the savings bank, were commonly able to put aside ten times this sum during five years of war, owing to the higher earnings of their parents. It would certainly be an exaggeration to say that by the end of the war every employed person had become a small capitalist. But at least it is true that by 1945 the number of active savings bank accounts was roughly equal to half the population of Great Britain. The hope expressed by the apostles of thrift in the nineteenth century that everyone would have a 'stake in the country' is becoming something more than a distant vision.

The year-to-year progress of the War Finance Campaign need not be elaborated. There was no general alarm when war was declared, nor were there queues at the savings banks to withdraw money, as in 1914. The savings banks were, in any case, much better prepared for any eventuality, for the approach of the war clouds had been only too obvious. An intensive preparation during the summer of 1939 covered not only arrangements for duplication of records and the construction of shelters in preparation for the inevitable air raids, but increased facilities for depositors to obtain money when away from home. The proposals for mass evacuation of children and mothers from the big cities, on the outbreak of war, made it essential to ensure that depositors leaving the vicinity of their local Trustee Savings Banks at a moment's notice could have access to their savings wherever they went. As the country

districts to which the evacuees were sent were often without Trustee Savings Banks, it was necessary to secure the co-operation of the joint-stock banks and the post office. Both parties responded very willingly and, before September 1939, a very satisfactory arrangement had been made, under which Trustee Savings Bank depositors could draw limited sums not only at any other Trustee Savings Bank but at any joint-stock bank or money order post office, on presenting their pass-books. The scheme was sanctioned by an emergency regulation at the outbreak of war. It proved its value, though fortunately the money difficulties of the civil population were not as great as had been feared. As people continued to be away from home much more than in times of peace, a way was discovered of getting round the statutory embargo which prevented anyone from having an account in more than one Trustee Savings Bank. Agency accounts in a savings bank other than the bank where the depositor's main account was kept were recognized, subject to safeguards against infringement of limits of deposit.

When the heavy air raids came, their effect was to increase and not decrease the banks' deposits. Very large sums which had been kept in the homes, some of them the patent result of years of hoarding, were paid over savings bank counters after each major raid, as the risk of irreparable loss of capital was driven home to the owners by the obvious perils of the time. The Glasgow Savings Bank estimated that after the big Clydebank raid on 13 March 1941 the additional deposits from this cause alone reached the almost incredible figure of approximately £500,000, for the most part made up of single notes and silver. There were inevitably losses in property, but fortunately only one fatal casualty (the chief cashier at Exeter). The complete destruction of the Head Office of the Exeter Savings Bank in one of the 'Baedeker' raids on 4 May 1942 was a sad blow not only to this old and well-managed bank, but to all interested in the history of the movement, who thus lost valuable records covering over a century and a quarter. The Head Office of the Swansea Savings Bank suffered a similar fate. The famous Coventry 'blitz' on 14 November 1940 put out of action for months the Head Office of the savings bank there and the Head Office of the Union Savings Bank at Devonport had also to be abandoned for a time. Five other offices were completely destroyed. The loss

of the Channel Islands in the summer of 1940 temporarily cut off from contact with the British banks the two strong Trustee Savings Banks in Jersey and Guernsey. They continued their work under German occupation and Channel Islanders who had been evacuated to England were provided for by a special organization set up under the wing of the London Savings Bank.

The figures of small savings which have been quoted may suggest that the task of the savings banks and of those responsible for the Savings Campaign was easy and that the public's response was assured. It is true that there was a steady rise in savings up to 1943 and that the 1944 figures were well maintained at the high level of the previous year. Any suggestion that this progress was a purely automatic reflection of increased earnings and reduced opportunities for spending can be disproved by the remarkable change which occurred about the middle of May 1940. The country's dire peril following the German break-through in France and still more during the critical week of Dunkirk and the feverish preparations for invasion was reflected in a remarkable jump in the level of small savings. Up to the middle of May the weekly average had been about £5 millions. It at once rose to double this figure and for the week ended 18 June reached £20 millions.

After this great spurt the rate of increase steadied down, but the Trustee Savings Banks figures for the war years are worth quoting as an indication of the great vitality of the movement at this point when the story must perforce break off.

Year to 20 Nov.	*Balance due to depositors*		*Government stock*	*Total due to depositors*	*Annual increase*
	Ordinary department	*Special investment department*			
	£	£	£	£	£
1939	152,277,686	99,448,592	40,904,232	292,630,510	
1940	173,634,463	101,945,862	45,784,006	321,364,331	28,733,821
1941	214,769,942	108,578,686	50,547,899	373,896,527	52,532,196
1942	264,577,260	113,918,096	55,266,498	433,761,854	59,865,327
1943	333,021,272	115,157,139	60,082,103	508,260,514	74,498,660
1944	410,984,411	115,818,940	64,758,954	591,562,305	83,301,791

In five years the sums due to depositors had doubled. Of the total increase of almost £299 millions during those years, over

£258 millions, or 86 per cent., was due to the growth of the ordinary department, which is the basis of the whole structure. One very marked feature of these figures, a natural corollary to the predominance of the ordinary department, is the decline in the importance of the special investment department. In 1939 this department held nearly 40 per cent. of total deposits, but by August 1945 this percentage had fallen to under 20 per cent. The decline was not solely due to the recognition by the public that ordinary department deposits were invested with the Government and so directly helping to finance the war; for at the beginning of the war the Trustee Savings Banks had promised the Treasury that any excess of deposits over withdrawals in the special investment departments would be invested in new government securities and so be of equal value to the State in the emergency. But the investment departments had grown up, as has been described in previous chapters, as handmaids to local government finance. When the power of Local Authorities to borrow for development had to be temporarily curtailed in order that all the country's resources should be mobilized by the Central Government, the outlet for investment in Local Authority mortgage loans became so small that most banks preferred to restrict special investment deposits rather than encourage an inflow of money which could only be profitably invested in government securities liable to depreciation. Moreover, the banks were only permitted by Statute to invest a certain proportion of their funds in the longer dated government securities. They could invest without limit in such securities repayable within three years, but the yield on those had become very small indeed. By the Trustee Savings Banks (Special Investments) Act of 1934 and Regulations made under it, they could hold up to 30 per cent. of their investments in government loans maturing for repayment in more than three but not more than thirty years. They could also invest a further 10 per cent. in municipal stocks repayable in fifteen years. But some banks had reached or were approaching these limits and so found an additional reason for restricting deposits. This aspect of the situation was somewhat eased by the National Loans Act of May 1945, which raised the proportion of investments which might be held in longer dated government stocks or municipal stocks to 50 per cent. and permitted the banks to

buy new government securities, such as Savings Bonds, although the maturity date was extended to forty years. As the war progressed, these restrictions were intensified and during the last two years special investment deposits were exceeded by the withdrawals, though the credit of interest prevented an actual diminution in the size of the departments. It is impossible at the time of writing to say whether the special investment departments will regain the important position they occupied between 1918 and 1939, but the recent decision that Local Authorities shall for a period of five years borrow all the money they need, with minor exceptions, from the Public Works Loans Board[1] makes it unlikely that the investment departments in their old form will stage an early revival. It is, however, worth recording that £38,705,000 from the funds of special investment departments was invested in ways beneficial to the Treasury during the war. The total contribution of the Trustee Banks to War Finance from 22 November 1939 to 15 August 1945, was £437,346,489, divided as follows:

	£
Increase in balance due to depositors in the ordinary department	313,539,273
Sale of National Savings Certificates	58,640,255
Sale of new issues of government stock and bonds	31,932,551
Invested by special investment departments in new issues of government stock and bonds	28,365,208
Cash on deposit with H. M. Treasury	4,759,859
Gifts to Treasury (including interest renounced)	109,343

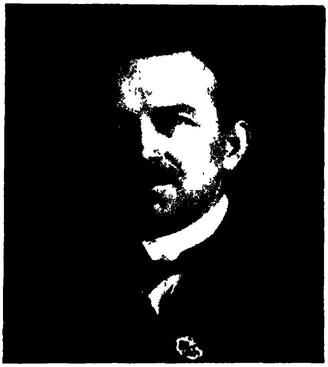
It needed constant hard work and ingenuity to keep savings at the necessary high level. The National Savings Committee, under the presidency of Lord Kindersley, skilfully introduced new stimuli when interest was flagging and sponsored new schemes of group saving designed to ensure that no employee, housewife, or child forgot for as long as a week that savings helped to provide the sinews of war. Special Savings Weeks, emphasizing some aspect of the war, brought in large sums by appealing to local patriotism, stimulating local rivalry, and using every known device of mass suggestion. The most valuable work, however, was carried out with little publicity by the hundreds of thousands of honorary officials of savings groups who collected each week or month a portion of the earnings of

[1] Local Authorities Loans Act, 1945.

COLONEL C. L. C. HAMILTON, C.M.G., D.S.O., D.L.
Deputy-Chairman since 1933

SIR KENNETH D. STEWART, K.B.E.
Deputy-Chairman since 1944

SIR GEORGE RAINY, K.C.S.I., K.C.I.E.
Chairman since 1938



W. LOUIS LAWTON, C.B.E.
Hon. Treasurer since 1928

JAMES R. FIDDES, C.B.E.
Hon. Secretary since 1935

HONORARY OFFICIALS OF THE TRUSTEE SAVINGS BANKS ASSOCIATION, 1945

the workers, the housekeeping money of their wives, and the pocket money of their children. The success of the street savings groups was not surprising, for the industrial assurance companies had long since shown the value of a personal approach to the housewife. What was surprising was the success which attended the efforts to enrol a huge army of volunteers to carry on the exacting work of trudging round the streets or localities in all weathers to sell the sixpenny, half-crown, and five shilling Savings Stamps. How far street saving brought money to the Exchequer which would not otherwise have been saved is impossible to say, but it must be assumed that part at least of the money so collected would have been spent had the collectors not called regularly and formed a new street *esprit de corps* in the matter of saving. Such a venture would have been too expensive to attempt on any but a voluntary basis and it remains to be seen whether street groups will survive the end of the period of urgency which gave them birth.

The task of organizing successful savings schemes in factories, mines, docks, and other places of employment is always beset with difficulties. There is the disinclination of workers to save at the place of employment, the problem of securing a suitable place and time for the collection of money and the clerks or volunteers to conduct the groups. These practical difficulties were dwarfed early in the war by two apprehensions in the minds of many workers who had but recently emerged from a period of widespread unemployment and relatively low earnings. That weather-beaten old scarecrow bearing the label 'More savings, lower wages' had been used periodically to scare wage-earners off the field of thrift and had not wholly lost its potency. There were still many who argued that, if substantial savings were made out of wages, employers would use the fact as a pretext for reducing wage rates or resisting demands for increases at some later date. The Trades Union Congress gave valuable help to the Savings Campaign both by obtaining assurances from representative bodies of employers that increased savings would not be used as an argument in wages negotiations and by issuing strong, reasoned appeals to trade unionists to help the war effort with their savings.

There remained another fear, which could only be allayed by legislation. It was only natural that people should ask

whether, in the event of a spell of unemployment after the war, the unemployed would be expected to live on their savings before they could claim assistance from public funds. When supplementary pensions, subject to a Means Test, were sanctioned by the Old Age and Widows' Pensions Act of 1940, a similar question arose. Would those ceasing work through old age be refused a supplement to their old age pension if they had accumulated savings during the war? If so, why save? Unless the saver could be promised definite advantages over the non-saver, the task of the thrift propagandist was obviously going to be a hard one. The Government was soon persuaded that, if the workers were to co-operate wholeheartedly in saving during the war, something must be done to extend the modest pre-war provision which exempted savings of less than £50 from any Means Test.[1] The Determination of Needs Act, 1941, went much farther. It completely excluded from the resources of any applicant for unemployment assistance or supplementary pension the first £375 of 'War Savings'. In other words, both the pensioner and the unemployed man who had exhausted his contractual unemployment benefit could still draw the full sums allowed by the Assistance Board even though they had this amount of War Savings. 'War Savings' embraced deposits in the Post Office and Trustee Savings Banks (including deposits in the special investment department) as well as National Savings Certificates and new issues of government stock and bonds. The deposits or investments must, of course, have been made after the outbreak of war on 3 September 1939, but no inquiry was to be made about the source of the money (that is to say, whether it had been genuinely saved during the war), provided it had been used for War Savings before 14 August 1940. These provisions were doubtless based more on expediency than equity, for a distinction of this sort between 'War Savings' and other savings could hardly be defended as a long-term policy. But the official encouragement of the thrifty was significant and there is no doubt that the Act largely achieved its purpose. The task of starting savings groups in works became sensibly easier from the time of its passing.

It was in the formation of industrial savings groups that the Trustee Savings Banks made their most distinctive contribution

[1] Determination of Needs Act, 1935.

to the War Savings Campaign. It may well prove that the most lasting improvement in the technique of saving resulting from the war is the expansion of the industrial savings groups known as Direct Transfer Schemes. These schemes provide for the transfer from wages of a weekly or monthly sum approved by each individual employee direct to a savings bank account. Since the amounts transferred are deducted from wages at source, the troublesome business of collecting small sums in cash after wages have been paid is avoided. The contributor, once he has joined the scheme, seldom stops his contribution, for he has not to make a conscious decision each week to save, yet he knows that if he needs the money at any time he can draw it at once from his savings bank account. If he wishes his savings to be invested in National Savings Certificates or in other ways, his wishes can be promptly and easily carried out but, if he is mainly intent upon saving for holidays or other short-term needs, he can use the savings bank as temporary custodian of the money transferred from his wages instead of handing his savings to the less certain care of the local club secretary or treasurer. The employer too, once he is reconciled to making another deduction from wages, finds the method simple and satisfactory, for the greater part of the clerical work is carried out at the savings bank. Direct Transfer Schemes, first popularized in England by the Hull Savings Bank and in Scotland by the Aberdeen Savings Bank, have been formed in great numbers during the war all over the country, particularly in towns where Trustee Savings Banks are strongly established. If many of them survive the war, as seems likely, they will encourage a much more general and systematic saving from wages than has ever before been practised in times of peace.

It is possible also that the conduct of savings bank offices inside large works will become more common as a result of war experience. The main difficulty in the way of this natural development during the war years was the lack of officials to conduct the business. The staffing problems of all savings banks were difficult from the outbreak of war, owing to the number of officials in the Territorial Army who left for active service in September 1939. These difficulties became more acute each year and when, in October 1942, the Kennet Committee on Manpower in Banking and Allied Industries not only weeded

out most of the few remaining men of military age but restricted the power of the banks to increase their staffs to cope with the vastly greater volume of business, it was a stiff task to keep the existing machinery working. There was little hope of embarking on new ventures. Moreover, for over three-quarters of a century it had been laid down by Act of Parliament that no agency of a savings bank could be conducted anywhere unless two persons were present to form a 'double check' on the transactions. It is sometimes possible to overcome in a few weeks in times of war obstacles which would take years to remove in times of peace. This was a case in point. The Treasury, anxious to secure the greatest possible amount of war savings and convinced of the scope for establishing savings bank branches in large works, quickly passed an emergency Regulation[1] which dispensed with the obligation for a double check in approved cases and made it possible to employ, as agents of the bank in conducting such groups, persons outside their regular staffs who could not be covered by the normal methods of fidelity insurance. This move, which owed much to the interest and initiative of the National Debt Office, led to the formation of 'Savings in Works' Schemes by Trustee Savings Banks in many large factories. Most of these were conducted on the lines of a savings bank office, but the man or woman who was in charge was often the cashier of the firm or a volunteer and not a regular member of the savings bank staff. Pass-books were issued and limited withdrawals as well as deposits were allowed. In some places of employment a 'Letter Box Scheme', first introduced at Messrs. Richards Limited, Aberdeen, was substituted, in which the workers put their savings into special envelopes and posted them in a savings bank letter-box, which was cleared weekly by an official of the bank.

The staffing difficulties which impeded the establishment of agencies in works also slowed down the much desired development through new banks and branches. The five years did, however, see the opening of forty-two new branches. Trustee Savings Bank offices numbered 741 by the end of 1944. The number of separate banks had meanwhile been reduced from ninety-nine to eighty-eight. Five Trustee Savings Banks in Eire, which had continued to bank with the National Debt

[1] S. R. & O. No. 371 (1943).

Commissioners long after the setting up of the Irish Free State, ceased to be included in the figures for the British Isles after 1940, except for the small and steadily diminishing amount deposited with the Commissioners before the separation of the Eire system became effective.[1] Five banks joined up with larger neighbours. The sixth amalgamation was in a different category. In 1942 the London Savings Bank and the Finsbury Savings Bank, the two surviving Trustee Savings Banks in the Metropolis, decided after long negotiations to amalgamate under the title of the London Trustee Savings Bank. The weakness of the movement in the capital city after the closing of the St. Martin's Place and other savings banks in London in the second half of the nineteenth century had been an increasing source of regret to those who believed that the old trustee system was still the best medium for encouraging thrift. The amalgamation of these two pioneer banks was a necessary preliminary to an advance in an area in which a quarter of the nation's population lived and worked. Although the number of offices and amount of funds in Greater London is still relatively small and the new amalgamated bank derives a good portion of its £20 millions of funds from boroughs outside London (the flourishing new savings bank opened in 1934 at Luton and the small 1816 bank at Buckingham were added to its widely scattered amalgamated banks during the war), it is already clear that the Board of Management has decided on a policy of active expansion. This may in the future go some way to redress the present discrepancy between the strength of the movement in the north and in the south.

This disparity was still marked at the end of 1944. The funds of the Scottish Trustee Savings Banks accounted for almost a third of the £600 millions in the British Isles. The Savings Bank of Glasgow, which now extended outside the great industrial district into Ayrshire, Dunoon, Carluke, and Lennoxtown, had consolidated its now impregnable position as the leading Trustee Bank with funds two and a half times as great as its nearest rival, Edinburgh. Aberdeen, with its intensively cultivated area from Orkney to Kincardineshire, ranked fifth, and Dundee eleventh. The north of England was strongly represented by Manchester (3rd), York (6th), Liverpool (7th), Hull

[1] The remaining sum at 20 November 1945 was £602,140.

(9th), Newcastle upon Tyne (10th), and Sheffield (12th). Belfast Savings Bank, which now covered almost the whole of Northern Ireland, had worked up to fourth position in the table. Only London (8th) represented the southern counties in the first twelve banks. Indeed, the populous counties in the Association's Southern Area (i.e. lying south of a line drawn from south of Yarmouth to south of Coventry and thence south-west to the Severn), only contributed about a seventh of the total funds and it was in these counties that the Post Office Savings Bank had its strongest hold.

A revival in the south seems to have started during the war years, for between 1939 and 1944 the banks in the southern counties increased their assets one and a half times. Those in the north of England doubled theirs and the funds of the Scottish banks, which had little new territory to develop, increased by 80 per cent. It is impossible to say how far this was due to the preponderance of war industries and the existence of higher earnings in the south. It seems more likely that it was the result of the policy pursued by the Trustee Savings Banks Association during the eight or more years before the war in promoting the establishment of new banks under the 1929 Act in large communities in the south. All these twelve new banks, of which eight were in the south of England, had done well. Their combined funds rose from £3,200,000 in 1939 to £17,200,000 in 1944.

In the same way those banks which had been active in establishing new branch offices before the war now reaped the full benefit. The popularity of Trustee Savings Banks in medium-sized and smaller boroughs was very apparent. If one looks for those banks whose increases were well above the average of 100 per cent. in this period, one finds them mainly in banks covering a wide area and operating in a number of such communities rather than those in the big industrial cities—those, for instance, with headquarters in Leicester, Shrewsbury, Taunton, Lincoln, and Reading. The most striking advance of all was that of the Boston (Lincs.) Savings Bank, one of the early banks opened in 1817, which, partly by its activity before the war in developing towns like Peterborough, Wisbech, March, Stamford, and Skegness, grew during this short period from a comparatively small bank with £2,600,000 due to its depositors to the seventeenth largest bank with £11,332,000 of liabilities.

The impression left after a last survey of the National Savings Movement at the close of the Second World War is of a great, comprehensive structure, which holds the attention more by its diversity than its symmetry. In the forefront is the great, ubiquitous Post Office Savings Bank, whose growth to the biggest financial organization in the country, holding by the end of 1944 nearly £1,500 millions of savings bank balances, nearly £900 millions of stock and bonds on the Post Office Register and, through the Savings Certificate Branch, National Savings Certificates which, with interest accrued, were worth £1,713 millions, has been inadequately sketched in this history of Trustee Savings Banks. Drawing its support from the remotest crofter and the city lawyer, from the smallest village charities to the enormous deposits of the Public Trustee, from the modest contribution of the local friendly society to the millions invested by the big building societies, it has shown that when the country decides to do a big thing in a big way it can do it efficiently and successfully. But large organizations have their own disadvantages. They attract admiration and awe rather than inspire affection. They tend to a certain rigidity and uniformity. No doubt this is why the Post Office Savings Bank, with its roots drawing nourishment from the soil of the whole country, has not stunted the growth of a large number of local savings banks which, though dependent on the same soil for healthy growth, flourish side by side with it. The local savings banks, mostly Trustee Savings Banks but including the Birmingham Municipal Bank and those Scottish savings banks still operating under the Act of 1819, vary from the great £80 millions Savings Bank of Glasgow to the small Trustee Savings Banks at Rye and Innerleithen, which have less than £50,000 of funds apiece. They include banks covering several counties and hundreds of square miles, like those at Aberdeen, York, Belfast, Norwich, Boston, Chester, and Shrewsbury; compact county or district banks like those at Newcastle upon Tyne, Hull, Dundee, Perth, Exeter, Devonport, Leicester, Nottingham, Carlisle, Lincoln, Taunton, Falkirk, and Kirkcaldy; banks drawing their support mainly from large cities like Edinburgh, Manchester, Liverpool, Leeds, Sheffield, and Coventry; and others operating solely but flourishing strongly in small towns like Montrose, Arbroath, Cupar, Rothesay, and Ormskirk, or in still smaller communities

like Castle Douglas, Thornhill, and Kingussie. There are many other savings banks too, which do not fall easily into any descriptive grouping, banks whose urge to expand has sometimes forced them in one direction and sometimes in another, but which have always kept some local territorial basis.

Our modern planners would throw up their hands in horror at such a motley and unco-ordinated collection of banks all doing the same work but keeping a large measure of independence and freedom of development. Yet these Trustee Savings Banks are typical examples of the way in which institutions can be moulded by the national genius into the form best suited to the country's needs, if allowed sufficient freedom. They are not fixed in their present pattern. Every few years, as we look again through the kaleidoscope, the picture has changed. The changes may seem to be due sometimes to centrifugal and at other times to centripetal tendencies. But the real test is public support, without which expansion would be uneconomic and virtually impossible. The rapid expansion of recent years shows that public support has been given to the old type of Trustee Savings Bank to a greater degree than ever before.

This testifies to the soundness of the instincts of the nineteenth-century pioneers. The system of management by boards of honorary trustees and managers, with the modern addition of local advisory committees for branches, has stimulated local pride and enabled quick and well-considered decisions to be reached by men familiar with local conditions. The members of these boards have not been chosen for their political views nor, since the very early days, for their wealth or social connexions. They have been chosen for their interest in thrift and their public spirit and standing in the neighbourhood. Frequently one family has been connected with the local savings bank down the ages. There has been a Moreland on the Board of the Finsbury Savings Bank since 1816; the Walkers of Dundee, the Campbells of Glasgow, the Sinclairs of Belfast, are other examples of long family connexions with large savings banks. There are instances of individuals being on the board of a bank for over sixty years and there is the remarkable record of longevity of Mr. James Melrose, who was chairman of the York County Savings Bank in his hundredth year. There are trustees whose names have become closely associated with their banks because of their

exceptional interest in this work over long periods. Some of these have been mentioned in previous pages; more modern examples are the late Mr. W. J. Stuart of Hull, Sir William Forrest of Blackburn, Mr. G. U. Farrant, C.B.E., of Taunton, Mr. R. M. Williamson, LL.D., of Aberdeen, and Admiral L. A. B. Donaldson, C.B., C.M.G., of Portsmouth. There seems no reason why this system of honorary management should not be as successful in the future as it has been during the last hundred and thirty years. There is no sign that the supply of persons willing and competent to do this public work will become inadequate. The chief danger to the system is the constant tendency of parliaments to encourage the growth of centralized control. If the local boards of savings banks come to feel that the real responsibility for deciding on their future development is taken from them, their interest in the work may decrease. Most of the banks are long past their nursery days. The story of their earlier years has shown that, like children, they at times needed guidance. The controls and regulations of the nineteenth century were necessary and useful. But when a child's health is established and his mind has developed, his personality can only find full expression through greater freedom. So with the banks. The State will doubtless wish to retain general control of such an important economic structure, but it can do this without depriving the local trustees of freedom of decision in matters of normal administration.

The trustees and managers, however, cannot succeed in making a flourishing savings bank without a good staff. Savings bank officers, whether as actuaries in charge of the administration or as clerks interviewing depositors across the counter, must be specialists in thrift, as keen on the social aspects of their work as they are efficient at book-keeping and accountancy. In this respect the level of competence has been steadily rising for years. The growth of the banks has made the work more attractive and its prospects more inviting. The formation during the war of a Savings Banks Institute responsible for holding examinations of a high standard for savings bank officials should do still more to raise the status of the profession. The old part-time actuary, who conducted the savings bank as a side-line to his business is now almost forgotten. Some of them were picturesque figures. Sir Samuel Brighouse, the West

Lancashire Coroner, carried on the Ormskirk Savings Bank for over sixty years and made 'Brighouse's Bank' a familiar and well-loved institution. Mrs. Keith, who carried on the savings bank in the little Aberdeenshire village of Kintore for many years before and after its amalgamation with the Aberdeen Savings Bank in 1926, took such a personal interest in her depositors and had such charm and persuasiveness that there were few in the neighbourhood who did not make her their confidante and adviser. These and many other figures of the recent past are still remembered with affection in their own district and, if the modern actuary is less in personal contact with the public and more absorbed in administration, he still occupies a place of importance in the local community which calls for both character and talent. Competent officials can be trained in any business and are nowhere more commonly found than in the Civil Service. But one of the advantages of the Trustee Savings Bank system is that there is a close personal link between management and staff which tends towards generous recognition of merit and a human and sympathetic attitude to personal difficulties.

With well-chosen boards of management, competent staffs and improved offices (the new Head Office of the Edinburgh Savings Bank in Hanover Street, opened during the war, has set a new standard to the banks), there seems no reason why the next fifty years should not be years of great prosperity for the Trustee Savings Banks, for they have learnt how to give a first-class specialized thrift service to young and old. The future is certainly more than usually obscure. Changes in the country's social and economic structure are coming so rapidly that no financial institution can look far ahead. No doubt the Trustee Banks will have to adapt themselves to new conditions. Their history suggests that they can be trusted to do so, if their activities are not restricted by the iron bands of bureaucratic control or centralized management. The need for saving is not likely to disappear, whatever new theories are in the ascendant. Freedom from want can only be fully achieved by thrift and personal effort. Given freedom of development, the Trustee Savings Banks can make a steadily increasing contribution to these objectives.

APPENDIX I

Dates of Establishment of Trustee Savings Banks in England and Wales, Scotland, the Channel Islands and Northern Ireland.

Notes:

(1) Those in capital letters have had a continuous existence to the present day.
(2) Dates in brackets indicate date of closing.
(3) Asterisks denote places in which Trustee Savings Bank offices had been re-opened by 20 November 1944.
(4) In Scotland only those savings banks which became certified under the Acts of 1835 and 1863 are included.

ENGLAND AND WALES

Founded	*Name of Place*
1812	*Bristol (1888)
	Chichester (1868)
1813	Uckfield (1889)
1815	Bath (1890)
	EXETER
	LIVERPOOL
	Salisbury (1889)
1816	Abergavenny (1891)
	ALNWICK
	Ashford (1891)
	Baldock (1864)
	Barnard Castle (1892)
	Battle (1897)
	BEDFORD
	BERWICK AND TWEEDMOUTH
	Biggleswade (1870)
	Bishop Auckland (1868)
	BRECON
	Bridgend (1876)
	BRIDGNORTH
	Bromley (1864)
	BUCKINGHAM
	Bury St. Edmunds (1892)
	Calne (1893)
	Camberwell (1890)
	Canterbury (1865)
	CHATHAM
	*Chesterfield (1876)
	Clapham (1864)
	Covent Garden (1866)
	Dartford (1864)
	Deptford (1864)
	*Durham (1868)
	ELLESMERE
	Faversham (1872)
	FINSBURY AND CITY OF LONDON
	Fulham (1866)
	Godalming (1895)
	Greenwich (1867)
	GUILDFORD
	Halifax (1870)
	Halstead (1866)
	*Hammersmith (1871)
	*Hereford (1888)
	Huntingdon (1866)
	*Ipswich, Cornhill (1878)
	*Ipswich, Queen Street (1896)
	*Islington (1876)
	Kingswood (1869)
	LEOMINSTER
	Limehouse (1896)
	LINCOLN
	LONDON
	*Loughborough (18
	*Ludlow (1899)
	Maidenhead (1892)
	Manningtree (1878)
	Monmouth (1904)
	MORPETH
	NEWPORT (SALOP.)
	*Northampton (1891)
	NORWICH
	OSWESTRY
	*Portsmouth (1868)
	PRESTON
	Ross (1889)

Founded	Name of Place
	St. Martin's Place, Westminster (1896)
	Sevenoaks (1888)
	SHREWSBURY
	SOUTHAMPTON
	Southwark (1885)
	Staines (1869)
	*Stockton-on-Tees (1895)
	Stow-on-the-Wold (1868)
	*Tavistock (1890)
	ULVERSTON
	Uxbridge (1891)
	Wandsworth (1864)
	West Malling (1888)
	WHITCHURCH
	Winchester (1894)
	Windsor (1868)
	Woolwich (1868)
	YORK COUNTY
1817	*Accrington (1880)
	*Basingstoke (1890)
	Beaumaris (1876)
	BLOOMSBURY
	BOSTON
	*Bridgwater (1883)
	Bridport (1891)
	Cainscross (1892)
	*Cambridge (1890)
	Carshalton (1864)
	Castle Hedingham (1888)
	Chelmsford (1892)
	Chepstow (1868)
	CHESTER
	Cirencester (1889)
	*Colchester (1896)
	DEVIZES
	*Devonport Dockyard (1873)
	*Doncaster (1894)
	Dursley (1888)
	Epping (1864)
	FALMOUTH
	Hampstead (1877)
	Harewood (1889)
	HENLEY-ON-THAMES
	HEXHAM
	HORNCASTLE
	*King's Lynn (1890)
	*Knaresborough (1888)
	LEICESTER
	LLANDILO
	LOUTH
	*Macclesfield (1889)
	Maelor Hundred (1884)
	NANTWICH
	Nether Stowey (1884)
	*Newark-on-Trent (1893)
	NEWBURY
	Newnham (1876)
	NEWPORT (I.O.W.)
	NORTHALLERTON
	PONTEFRACT
	READING
	RICHMOND
	Romford (1870)
	Rugeley (1891)
	RYE AND WINCHELSEA
	Saffron Walden (1893)
	St. Asaph (1903)
	Shaftesbury (1874)
	SOUTH SHIELDS
	TAUNTON
	Tetbury (1889)
	TROWBRIDGE
	*Wakefield (1889)
	Watford (1864)
	WELSHPOOL
	Wenlock (1869)
	Witham (1891)
	WORKSOP
	*Worthing (1885)
	Wrington (1875)
1818	Aberystwyth (1884)
	Alford (1889)
	Arundel (1896)
	ASHBOURNE
	Ashby-de-la-Zouch (1900)
	Atherstone (1871)
	*Aylesbury (1893)
	*Aylsham (1897)
	BAKEWELL
	Barking (1887)
	*Bedale (1894)
	BELPER
	BEVERLEY
	Bewdley (1867)
	Blandford (1869)
	BOLTON
	Bourne (1904)
	BRADFORD, Yorks.
	Brentford (1889)
	BRIGHTON
	*Bungay (1874)

Founded	Name of Place
	Burton-on-Trent (1867)
	Caistor (1891)
	CAMBORNE
	CARLISLE
	Castle Cary (1889)
	Cheltenham (1895)
	Chertsey (1876)
	COCKERMOUTH
	Coddenham (1865)
	CROSTON
	DERBY
	DEVONPORT (UNION)
	Dorchester, Dorset (1889)
	ECCLESTON
	Eye (1891)
	Farringdon (1889)
	Folkingham (1893)
	Frome Selwood (1885)
	Gloucester (1885)
	GRANTHAM
	GRAVESEND
	GREAT YARMOUTH
	Hackney (1894)
	Hadleigh (1891)
	Halesworth (1884)
	Harleston (1883)
	Harwich (1890)
	Haverford West (1894)
	HELSTON
	Hemel Hempstead (1868)
	HUDDERSFIELD
	HULL
	KESWICK
	*Kidderminster (1881)
	Kingston-on-Thames (1868)
	KIRKBY LONSDALE
	KNUTSFORD
	LAMBETH
	Lanchester (1895)
	LAUNCESTON
	LEEDS
	Leyton (1870)
	Lichfield (1880)
	Lilleshall (1892)
	Liskeard (1896)
	Lymington (1865)
	Malmesbury (1889)
	MANCHESTER AND SALFORD
	*Mansfield (1864)
	Marlborough (1890)
	MOLD
	NEWCASTLE UPON TYNE
	Newport Pagnell (1878)
	NORTHWICH
	NOTTINGHAM
	*Otley (1895)
	Oundle (1892)
	PEMBROKE
	*Peterborough (1895)
	Penzance (1893)
	Petworth (1893)
	Pirehill Meaford (1890)
	Pwllheli (1891)
	Ramsgate (1866)
	Redruth (1892)
	RETFORD
	Rochford (1863)
	Rugby (1867)
	SANDBACH
	*Scarborough (1906)
	SETTLE
	Sheerness (1867)
	Shenstone (1868)
	Sherborne (1890)
	Shipston-on-Stour (1888)
	Skipton (1866)
	SLEAFORD
	*Southwell (1890)
	SPALDING
	*Stamford (1889)
	Stourport (1871)
	Swaffham (1888)
	Tewkesbury (1889)
	Thornbury (1889)
	Trentham (1881)
	*Truro (1895)
	Tunbridge Wells (1896)
	Upton-on-Severn (1883)
	Wantage (1892)
	Wareham (1892)
	WARRINGTON
	Warwick (1871)
	Wellington, Salop. (1889)
	WELLS
	WHITEHAVEN
	*Wimborne (1879)
	WIRKSWORTH
	*Wisbech (1891)
	Woodbridge (1896)
	*Worcester (1890)
	WREXHAM
	WYCOMBE AND SOUTH BUCKS.
	*Yeovil (1891)
	Yoxall (1884)

Founded	Name of Place
1819	Alton (1893)
	*Cardiff (1887)
	*Cheadle (1894)
	Chelsea (1891)
	CONGLETON
	Cripplegate (1880)
	*Croydon (1868)
	Dolgelly (1865)
	Dorking (1890)
	Droitwich (1881)
	*East Dereham (1864)
	East Grinstead (1896)
	Fakenham (1877)
	Framlingham (1889)
	GAINSBOROUGH
	Guisborough (1888)
	Havant (1883)
	*Hornsey (1864)
	*Keighley (1881)
	Kensington (1879)
	Lyme Regis (1899)
	*Market Drayton (1868)
	Melksham (1893)
	Penkridge (1882)
	Reigate (1869)
	SHEFFIELD
	Shifnal (1864)
	Sutton Coldfield (1870)
	Watton (1869)
	West Ham (1863)
	*Whitby (1889)
	Whitechapel (1892)
1820	Abingdon (1892)
	Ewell (1882)
	NORTH WALSHAM
1821	FRODSHAM
	*Gosport (1883)
	Hawkshurst (1888)
	Hythe (1889)
	Ledbury (1872)
	*Leyland (1870)
	Pontypool (1891)
	STANHOPE
	WIGAN
1822	Birstal and Batley (1876)
	BURY
	Chippenham (1893)
	Lutterworth (1866)
	*Maidstone (1872)
	ORMSKIRK
	Poulton (1862)
	Stokesley (1888)
	Sudbury (1894)
1823	Bowden (1864)
	*Hinckley (1870)
	*Lancaster (1889)
	Leek (1884)
	Tamsworth (1897)
	WARMINSTER
1824	Ampthill (1890)
	*Hanley (1888)
	Prescot (1892)
	Saddleworth (1864)
	STOCKPORT
	SUNDERLAND
1825	ALSTON
	*Walsall (1866)
1826	Burford (1864)
	Deal (1872)
	Stoke Newington (1868)
1827	Andover (1864)
	Birmingham (1864)
	Epsom (1879)
	*Lambeth, St. John's (1880)
	MALTON
	SWANSEA
	WORKINGTON
1828	Bromsgrove (1868)
	*Burnley (1890)
	Richmond, Surrey (1891)
	*Stalybridge (1875)
1829	ASHTON-UNDER-LYNE
	BARNSLEY
	Edmonton (1867)
	Tottenham (1866)
1830	St. Marylebone (1891)
1831	BLACKBURN
	*Brigg (1897)
	*Devonport (R.N.) (1868)
	DRIFFIELD
	Newport, Mon. (1888)
	Swindon (1895)
1832	Paddington (1875)

Founded	Name of Place
1833	*Goole (1897)
	Kingswinford (1875)
1834	Machynlleth (1865)
	Stratford-on-Avon (1896)
1835	Caerphilly (1873)
	COVENTRY
	*Stafford (1888)
1836	Bradford, Wilts. (1883)
	Bromyard (1868)
	Cuckfield (1864)
	Haverhill (1895)
	Hertford (1893)
	Pickering (1889)
	*Rawtenstall (1863)
	TYNEMOUTH
	Woodstock (1892)
1837	BRIDLINGTON
	DARLINGTON
	Farringdon St., E.C. (1888)
	Kington (1883)
	PLYMOUTH
	*Stepney (1896)
	Wentworth (1889)
	Weymouth (1889)
1838	ALLENDALE
	Brewood (1868)
	*Bilston (1863)
	Leighton Buzzard (1866)
	Market Harborough (1867)
	MELTON MOWBRAY
	MIDDLETON-IN-TEESDALE
	Rotherhithe (1869)
	Tufton Street, Westminster (1893)
	Wadebridge (1891)
1839	*Birkenhead (1895)
	Bodmin (1865)
	Camden Town (1888)
	Ely (1890)
	Enfield (1863)
	Evesham (1865)
	*Kettering (1894)
	*Luton (1872)
	Margate (1879)
	Newcastle Emlyn (1894)
	Wotton-under-Edge (1890)
1840	Haggerston (1869)
	*Oldham (1884)
	Winchcombe (1868)
1841	Alresford (1892)
	CHAPEL-EN-LE-FRITH
	Chester-le-Street (1898)
	Downham Market (1880)
	Harrow (1882)
	*Tunstall (1871)
1842	Bicester (1872)
	MARYPORT
	Petersfield (1868)
	RUNCORN
	SHOREDITCH
1843	Hoxton (1863)
	Kennington (1874)
	*Wallasey (1864)
	Wallingford (1890)
1844	*Clitheroe (1890)
	*Colne (1876)
	Hartlepool (1864)
	KIRKHAM
	Lechlade (1863)
1845	Alfreton (1902)
	Buntingford (1865)
	CHORLEY
	*Fareham (1869)
	Hastings (1880)
	Highgate (1868)
	LEIGH
	Tunbridge (1889)
1846	Bishop Stortford (1887)
	Eccleshall (1888)
	Eckington (1874)
	Kirkby Stephen (1862)
	Portmadoc (1864)
	*Rotherham (1893)
	West Bromwich (1864)
1847	*Llanelly (1894)
	*Middlesbro'-on-Tees (1866)
	Tenbury (1890)
	Thame (1880)
1848	Alcester (1871)
	Denbigh (1878)
	*Uttoxeter (1882)

Founded	Name of Place
1849	Bala (1864)
1850	Cheshunt (1867)
	Poole (1904)
	Romsey, New Hall (1863)
1851	Crewkerne (1890)
	Marlow (1888)
1852	Fleetwood (1864)
	Llangollen (1864)
1853	Folkestone
	Merthyr Tydvil (1864)
1854	Carnarvon (1863)
	Chesham (1862)
	Staveley (1862)
1855	Knighton
	Melbourne (1862)
	*St. Helens (1870)
	St. James', Piccadilly (1888)
	Tredegar (1863)
1856	Bermondsey (1862)
	Holloway (1867)
	Newtown (1864)
	Romsey (1885)
	Seaham Harbour (1891)
	Tenby (1888)
	Winsford (1867)
1857	Ambleside (1864)
	Buxton (1870)
	*Grimsby (1904)
	Middlewich (1883)
	Narberth (1870)
1858	Chipping Ongar (1866)
	Southwold (1867)
1859	*Blackpool (1862)
	Braintree (1862)
	Cleobury Mortimer (1863)
	Finchley (1862)
	*Ipswich Penny Bank (1863)
	New Mills
	Old Kent Road (1867)
	Ripon (1889)
	Saxmundham (1889)
	St. Albans (1863)
	Sedbergh (1865)
1860	Billericay (1864)
	*Brixton (1862)
	*Cambridge Penny Bank (1889)
	Chipping Norton (1865)
	Flint (1867)
	*Hyde (1888)
	Leatherhead (1862)
	Odiham (1882)
	Over Darwen (1864)
	Pimlico (1867)
	*Stoke-on-Trent (1867)
	Weston-super-Mare (1862)
1861	Bishops Castle (1866)
	Clayton West (1863)
	Holt (1867)
1930	Bournemouth
1931	Portsmouth
1933	Oxford
	Wolverhampton
1934	Luton
	Northampton
	Walsall
1935	Cambridge
	Croydon
	Ilford
1936	Stoke-on-Trent
1937	Cardiff

SCOTLAND

Founded	Name of Place
1815	Aberdeen
	Arbroath
	Dundee
	Elgin
	Hawick
	Jedburgh
	Kinross
	Perth
	Stonehaven
1827	Campbeltown
1836	*Banff (1890)
	Edinburgh

Founded	*Name of Place*
	Gamrie (1892)
	GLASGOW
1837	CUPAR
	DUNFERMLINE
	INVERURIE
	KINTORE
	KIRKINTILLOCH
1838	INSCH
	KIRKCALDY
	PAISLEY
1839	DALKEITH
	ELLON
	FORRES
	SELKIRK
1840	CASTLE DOUGLAS
	INVERNESS
	MONTROSE
	NAIRN
	*Oban (1867)
	WICK
1841	*Leith (1863)
1842	COLDSTREAM
	Fordoun (1892)
	GRANGEMOUTH
	ROTHESAY
	STIRLING
1843	THORNHILL
1845	FALKIRK
	THURSO
1846	ALEXANDRIA
	*Dumbarton (1865)
	GRANTOWN-ON-SPEY
	LENNOXTOWN (CAMPSIE)
	ST. ANDREWS

Founded	*Name of Place*
1847	NEW DEER
1849	KELSO
1852	BRECHIN
1853	FORFAR
	Kildrummy (1890)
1855	NEWBURGH (FIFE)
1858	GALASHIELS
1859	CARLUKE
	*Fort William (1864)
	Glencoe (1863)
1860	Stranraer (1864)
1861	LARBERT AND STENHOUSEMUIR
	Newhaven (1873)
1863	LAURENCEKIRK
1864	Marnoch (1892)
1869	COWDENBEATH AND LOCHGELLY
1873	Rothes (1887)
1885	DUNOON
1896	MOTHERWELL
1898	KINGUSSIE
	INNERLEITHEN AND TRAQUAIR
1905	HAMILTON
1906	BATHGATE
1907	KILMARNOCK
1909	AYR
1921	HELENSBURGH

CHANNEL ISLANDS

1822	GUERNSEY
1834	JERSEY

NORTHERN IRELAND

1816	BELFAST
	LONDONDERRY
1818	ARMAGH
1819	DUNGANNON
1825	ENNISKILLEN
1832	COLERAINE

APPENDIX II

Statement showing the number of separate Trustee Savings Banks, the number of depositors and total balances due to depositors each year from 1817 to 1944

Year ending 20 Nov.	Number of Trustee Savings Banks on 20 Nov.*	Number of depositors	Sums due to depositors: Ordinary department	Sums due to depositors: Stock department	Sums due to depositors: Special investment department†	Total balances due to depositors
			£	£	£	£
1817	..	..	231,028	..	..	231,028
1818	..	..	1,697,853	..	..	1,697,853
1819	..	..	2,813,023	..	..	2,813,023
1820	..	..	3,469,910	..	..	3,469,910
1821	..	..	4,740,188	..	..	4,740,188
1822	..	..	6,546,690 ‡	..	..	6,546,690
1823	..	..	8,684,662	..	..	8,684,662
1824	..	..	11,720,629	..	..	11,720,629
1825	..	..	13,257,708	..	..	13,257,708
1826	..	..	13,135,218	..	..	13,135,218
1827	..	..	14,188,708	..	..	14,188,708
1828	..	..	15,358,504	..	..	15,358,504
1829	476	409,714	14,311,192	..	..	14,311,192
1830	480	427,830	14,616,936	..	..	14,616,936
1831	474	437,333	14,595,577	..	..	14,595,577
1832	478	440,314	14,365,302	..	..	14,365,302
1833	482	475,172	15,318,748	..	..	15,318,748
1834	482	509,625	16,309,520	..	..	16,309,520
1835	483	547,026	17,411,095	..	..	17,411,095
1836	491	597,959	18,761,219	..	..	18,761,219

1837	513	635,440	19,609,873	..	..	19,609,873
1838	522	703,236	21,393,312	..	..	21,393,312
1839	541	748,396	22,425,812	..	..	22,425,812
1840	546	798,055	23,471,049	..	..	23,471,049
1841	553	841,204	24,474,689	..	..	24,474,689
1842	563	874,715	25,319,336	..	..	25,319,336
1843	567	935,350	27,177,315	..	..	27,177,315
1844	571	1,012,047	29,504,861	..	..	29,504,861
1845	579	1,062,930	30,748,868	..	..	30,748,868
1846	591	1,108,025	31,743,250	..	..	31,743,250
1847	595	1,095,554	30,207,180	..	70,129	30,277,309
1848	583	1,056,881	28,114,136	..	101,651	28,215,787
1849	577	1,087,354	28,537,010	..	101,158	28,638,168
1850	573	1,112,999	28,930,982	..	25,813	28,956,795
1851	577	1,161,089	30,277,654	..	1,322	30,278,976
1852	576	1,209,349	31,754,261	..	1,980	31,756,241
1853	582	1,259,800	33,362,260	..	2,332	33,364,592
1854	585	1,277,873	33,736,080	..	3,326	33,739,406
1855	591	1,304,833	34,263,135	..	4,870	34,268,005
1856	599	1,341,672	34,946,012	..	101,179	35,047,191

* (*a*) The figures do not include any Scottish savings banks prior to 1836, as none of these were certified as Trustee Savings Banks before the Act of 1835. No record of the number of Scottish savings banks registered under the earlier Act of 1819 is available, but the number was considerable.

(*b*) The figures show the number of head offices. If amalgamated banks and branches were included, the number of offices in 1944 would appear as 741.

(*c*) Five savings banks in Eire cease to be included in the number of banks after 1940.

† Prior to 1891 the special investment department figures are incomplete, but the amounts omitted are inconsiderable. The figures are compiled from returns received from the banks concerned, but it has been impossible to obtain information regarding the special investment departments of three small banks not now in existence, Brighouse, Stockton-on-Tees, and Winchester, or the special stock department of the Exeter Savings Bank, owing to the destruction of the bank's records in an air raid.

‡ 1817–28 figures show balance due by National Debt Commissioners to trustees.

Year ending 20 Nov.	Number of Trustee Savings Banks on 20 Nov.*	Number of depositors	Sums due to depositors: Ordinary department	Sums due to depositors: Stock department	Sums due to depositors: Special investment department†	Total balances due to depositors
			£	£	£	£
1857	603	1,366,000	35,145,567	..	145,398	35,290,965
1858	607	1,408,712	36,220,362	..	155,961	36,376,323
1859	624	1,506,776	38,995,876	..	166,830	39,162,706
1860	638	1,585,778	41,258,368	..	175,508	41,433,876
1861	645	1,609,852	41,546,475	..	188,992	41,735,467
1862	621	1,558,189	40,562,256	..	197,795	40,760,051
1863	603	1,556,842	40,951,505	..	208,345	41,159,850
1864	577	1,492,251	39,277,197	..	233,297	39,510,494
1865	561	1,468,490	38,745,298	..	258,594	39,003,892
1866	551	1,404,153	36,382,116	..	279,920	36,662,036
1867	539	1,385,782	36,533,203	..	279,517	36,812,720
1868	513	1,371,844	36,867,457	..	285,438	37,152,895
1869	507	1,377,892	37,553,746	..	290,995	37,844,741
1870	496	1,384,756	37,958,549	..	316,395	38,274,944
1871	489	1,404,078	38,819,663	..	449,247	39,268,910
1872	483	1,425,147	39,679,880	..	574,758	40,254,638
1873	481	1,445,490	40,525,089	..	684,107	41,209,196
1874	474	1,464,306	41,466,399	..	837,479	42,303,878
1875	470	1,479,192	42,387,529	..	1,098,589	43,486,118
1876	463	1,493,401	43,282,909	..	1,255,374	44,538,283
1877	458	1,509,847	44,237,931	..	1,410,587	45,648,518
1878	454	1,515,725	44,255,137	..	1,621,152	45,876,289
1879	449	1,506,714	43,797,023	..	1,806,757	45,603,780
1880	442	1,519,805	43,975,606	..	2,006,659	45,982,265
1881	437	1,532,486	44,137,069	124,668	2,261,176	46,522,913
1882	430	1,552,983	44,611,802	242,524	2,592,451	47,446,777

1883	421	1,566,184	44,986,336	354,874	2,849,874	48,191,084
1884	411	1,582,474	45,840,090	477,813	3,098,081	49,415,984
1885	409	1,592,997	46,355,118	650,356	3,318,593	50,324,067
1886	405	1,590,804	46,842,969	810,128	3,602,471	51,255,568
1887	400	1,604,610	47,261,455	943,125	3,833,449	52,038,029
1888	382	1,579,546	46,401,757	1,040,355	4,029,819	51,471,931
1889	346	1,551,594	44,930,832	1,175,248	4,220,552	50,326,632
1890	324	1,535,782	43,613,350	1,280,069	4,375,695	49,269,114
1891	303	1,510,282	42,858,434	1,282,238	4,056,413	48,197,085
1892	281	1,501,920	42,385,032	1,281,891	4,349,438	48,016,361
1893	267	1,470,146	42,225,801	1,318,938	4,534,153	48,078,892
1894	257	1,470,946	43,474,749	1,350,615	4,640,764	49,466,128
1895	245	1,516,229	45,312,681	1,266,189	4,744,019	51,322,889
1896	239	1,495,903	46,699,687	1,082,248	4,722,801	52,504,736
1897	232	1,527,217	48,463,938	1,058,027	4,599,676	54,121,641
1898	231	1,563,947	49,995,373	1,075,923	4,587,375	55,658,671
1899	231	1,601,485	51,404,930	1,124,109	4,600,771	57,129,810
1900	230	1,625,023	51,455,917	1,365,517	4,530,830	57,352,264
1901	230	1,647,202	51,966,386	1,664,687	4,544,357	58,175,430
1902	229	1,670,394	52,505,081	1,882,784	4,582,791	58,970,656
1903	228	1,687,661	52,540,339	2,098,359	4,664,613	59,303,311
1904	224	1,702,791	52,280,856	2,268,006	4,853,388	59,402,250
1905	224	1,730,331	52,723,436	2,318,249	5,590,784	60,632,469
1906	224	1,759,228	53,009,299	2,369,868	6,427,462	61,806,629
1907	222	1,780,214	52,153,594	2,481,022	7,094,971	61,729,587
1908	222	1,785,802	51,714,566	2,445,962	8,205,839	62,366,367
1909	222	1,804,895	52,181,983	2,500,933	9,775,624	64,458,540
1910	219	1,827,460	52,267,806	2,582,478	10,984,421	65,834,705
1911	215	1,849,043	53,032,596	2,657,815	12,204,229	67,894,640
1912	211	1,870,510	53,811,899	2,704,858	13,385,603	69,902,360
1913	202	1,912,820	54,258,861	2,722,998	14,361,041	71,342,900

Year ending 20 Nov.	Number of Trustee Savings Banks on 20 Nov.*	Number of depositors	Sums due to depositors			Total balances due to depositors
			Ordinary department	Stock department	Special investment department†	
			£	£	£	£
1914	196	1,917,944	53,943,271	2,696,304	15,578,380	72,217,955
1915	191	1,966,730	51,412,370	6,313,801	15,440,871	73,167,042
1916	189	2,015,578	53,783,998	8,984,965	14,694,329	77,463,292
1917	179	2,046,996	52,350,107	18,232,030	14,051,164	84,633,301
1918	171	2,128,541	60,984,049	22,521,321	14,128,138	97,633,508
1919	163	2,220,787	71,918,846	25,346,961	14,919,446	112,185,253
1920	163	2,266,482	75,085,888	27,245,993	16,230,231	118,562,112
1921	152	2,230,741	73,084,021	29,442,788	19,262,869	121,789,678
1922	148	2,231,254	75,785,035	30,453,647	22,478,433	128,717,115
1923	147	2,251,378	79,566,926	30,332,158	23,560,281	133,459,365
1924	146	2,295,535	82,285,044	30,928,947	24,736,767	137,950,758
1925	140	2,340,644	83,396,491	31,776,418	27,038,323	142,211,232
1926	131	2,354,703	82,048,145	34,072,450	28,770,592	144,891,187
1927	123	2,412,067	81,402,073	36,166,566	32,529,757	150,098,396
1928	119	2,460,089	81,658,417	38,435,816	38,853,110	158,947,343
1929	113	2,492,073§	79,331,352	37,988,206	45,146,150	162,465,708
1930	107	2,345,379	79,081,550	39,321,750	54,115,185	172,518,485
1931	106	1,972,002	77,910,929	40,736,104	65,052,549	183,699,582
1932	102	1,982,929	79,975,334	40,814,748	74,769,059	195,559,141
1933	100	2,024,067	88,791,286	37,554,710	82,616,625	208,962,621
1934	102	2,076,791	94,758,457	36,798,296	87,141,792	218,698,545
1935	104	2,142,676	107,577,904	35,861,922	89,822,401	233,262,227
1936	105	2,221,653	120,341,264	35,433,829	91,814,607	247,589,700
1937	102	2,319,539	131,343,940	37,058,581	93,348,413	261,750,934
1938	101	2,420,358	142,385,759	38,307,550	96,461,281	277,154,590
1939	99	2,489,690	152,277,686	40,904,232	99,448,592	292,630,510

1940	99	2,680,503	173,634,463	45,784,006	101,945,862	321,364,331
1941	93	2,935,679	214,769,942	50,547,899	108,578,686	373,896,527
1942	91	3,178,873	264,577,260	55,266,498	113,918,096	433,761,854
1943	89	3,456,796	333,021,272	60,082,103	115,157,139	508,260,514
1944	88	3,686,230	410,984,411	64,758,954	115,818,940	591,562,305

§ 1929 onwards—exclusive of accounts under £1 not bearing interest and not operated for five years or more.

APPENDIX III

POST OFFICE SAVINGS BANK

Statement showing the number of open accounts and the balance due to depositors each year from 1862 to 1944

Year	*No. of open accounts at close of year**	*Amount including interest standing to credit of all accounts at close of year*
		£
From 16 Sept. 1861, to 31 Dec. 1862	178,495	1,698,221
1863	319,669	3,377,480
1864	470,858	4,993,123
1865	611,384	6,526,400
1866	746,254	8,121,175
1867	854,983	9,749,929
1868	965,154	11,666,655
1869	1,085,785	13,524,209
1870	1,183,153	15,099,104
1871	1,303,492	17,025,004
1872	1,442,448	19,318,339
1873	1,556,645	21,167,749
1874	1,668,733	23,157,469
1875	1,777,103	25,187,345
1876	1,702,374	26,996,550
1877	1,791,240	28,740,757
1878	1,892,756	30,411,563
1879	1,988,477	32,012,134
1880	2,184,972	33,744,637
1881	2,607,612	36,194,495
1882	2,858,976	39,037,821
1883	3,105,642	41,768,808
1884	3,333,675	44,773,773
1885	3,535,650	47,697,838
1886	3,731,421	50,874,338
1887	3,951,761	53,974,065
1888	4,220,927	58,556,394
1889	4,507,809	62,999,620
1890	4,827,314	67,634,807
1891	5,118,395	71,608,002
1892	5,452,316	75,853,079
1893	5,748,239	80,597,641
1894	6,108,763	89,266,066
1895	6,453,597	97,868,975
1896	6,862,035	108,098,641
1897	7,239,761	115,896,786
1898	7,630,502	123,144,099
1899	8,046,680	130,118,605
1900	8,439,983	135,549,645
1901	8,787,675	140,392,916
1902	9,133,161	144,605,088
1903	9,409,852	146,135,147
1904	9,673,717	148,339,354
1905	9,963,049	152,111,140
1906	10,332,784	155,996,446
1907	10,692,555	157,500,077
1908	11,018,251	160,648,214
1909	7,913,295	164,596,065
1910	8,371,789	168,890,215
1911	8,453,178	176,518,508
1912	8,868,008	182,104,564
1913	9,180,950	187,248,167
1914	9,281,370	190,533,208
1915	9,971,675	186,327,584
1916	10,555,626	196,655,159
1917	10,987,537	203,262,059
1918	11,665,121	234,633,323
1919	12,829,935	266,348,366
1920	12,741,581	266,508,032
1921	10,526,652	264,156,529
1922	10,636,032	268,143,235
1923	10,544,573	273,070,983
1924	10,670,810	280,373,433
1925	10,672,801	285,491,388
1926	10,427,546	283,658,417
1927	9,985,871	284,649,940
1928	9,783,442	288,619,186
1929	9,834,716	284,952,761
1930	9,855,817	290,235,317
1931	9,781,933	289,440,744
1932	9,482,532	305,712,118
1933	9,030,309	326,653,988
1934	9,322,828	354,830,597
1935	9,702,295	390,330,759
1936	10,148,794	432,366,563
1937	10,631,455	470,494,964
1938	11,116,680	509,292,595
1939	11,608,753	551,371,535
1940	12,839,623	654,367,979
1941	14,878,281	822,914,801
1942	15,922,688	1,005,431,130
1943	17,616,763	1,240,632,240
1944	19,147,000†	1,493,914,183

* From the year 1909 the non-active accounts are excluded.

† Approximate figures only available.

APPENDIX IV

TRUSTEE SAVINGS BANKS FUND

Deficiency or Surplus of Income

Up to and including the year 1875 the excess of interest credited to Trustees over the income earned by the Fund was met by drawing upon the capital of the Fund. The Act 40 Vict. (c. 13) enacted that the amount of the deficiency of income in any year should be met out of moneys provided by Parliament, and that the surplus of income in any year, less a sum to provide against depreciation, should be paid over to the Exchequer. The capital deficiency computed to have accrued up to the passing of the 1877 Act, viz. £3,573,405, was made good to the Fund by the setting up of an Annuity of £83,672. 12*s.* for twenty-seven years, which was charged upon the Consolidated Fund.

The table below shows the position in respect of each year from 1876 onwards:

Year ended 20 Nov.	*Deficiency of income provided by Parliament*			*Surplus income paid to Exchequer*			*Year ended 20 Nov.*	*Deficiency of income provided by Parliament*			*Surplus income paid to Exchequer*		
	£	*s.*	*d.*	£	*s.*	*d.*		£	*s.*	*d.*	£	*s.*	*d.*
							B. Fwd.	£845,388	16	11	105,197	15	2
1876	77,040	3	5	..			1910	..			12,679	6	8
1877	77,402	7	6	..			1911	..			14,173	3	1
1878	73,854	13	7	..			1912	..			17,532	16	9
1879	72,514	15	7	..			1913	..			22,420	12	0
1880	67,743	0	4	..			1914	..			26,887	15	10
1881	..			21,073	17	5	1915	..			24,089	15	5
1882	..			16,158	8	10	1916	..			31,049	6	3
1883	..			6,105	0	3	1917	..			73,818	5	7
1884	3,081	5	7	..			1918	..			76,620	15	6
1885	4,774	13	1	..			1919	..			195,583	13	5
1886	3,740	4	7	..			1920	..			278,385	12	0
1887	13,746	10	8	..			1921	..			315,949	17	11
1888	25,765	4	8	..			1922	..			327,019	12	9
1889	..			29,464	15	6	1923	..			362,595	10	6
1890	..			24,334	2	9	1924	..			365,539	0	5
1891	..			5,065	0	6	1925	..			415,591	11	8
1892	6,237	2	3	..			1926	..			440,750	10	7
1893	13,078	6	2	..			1927	..			458,455	17	8
1894	18,777	2	3	..			1928	..			481,1[illegible]6	2	4
1895	22,891	1	1	..			1929	..			486,608	2	6
1896	15,846	19	0	..			1930	..			466,815	19	6
1897	23,496	2	9	..			1931	..			490,224	5	8
1898	37,394	5	1	..			1932	..			505,196	12	9
1899	38,240	1	4	..			1933	..			890,992	16	3
1900	39,865	17	11	..			1934	..			927,729	17	3
1901	38,069	18	1	..			1935	..			883,479	19	11
1902	37,997	3	9	..			1936	..			694,906	5	2
1903	76,286	11	5	..			1937	..			434,347	7	1
1904	18,874	3	6	..			1938	..			440,029	2	1
1905	16,297	8	8	..			1939	.			493,382	4	4
1906	9,491	2	6	..			1940	.			285,464	7	5
1907	7,327	19	5	..			1941	..			331,336	5	4
1908	5,554	12	9	..			1942	..			336,413	0	0
1909	..			2,996	9	11	1943	..			443,867	0	0
	£845,388	16	11	£105,197	15	2		£845,388	16	11	£12,160,190	6	9

It will be seen from the above table that by the end of the year 1920 the total amount of surplus income paid into the Exchequer (£878,438. 17*s.* 8*d.*) had reached the total amount of deficiency voted. The total payment into the Exchequer in respect of the period to 1943 inclusive, exceeds the total amount of deficiency provided by £11,314,801. 9*s.* 10*d.*

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